

How has the UK Warehousing sector been affected by the fissuring of the worker-employer relationship in the last 10 years?

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How has the UK Warehousing sector been affected by the fissuring of the worker-employer relationship in the last 10 years?

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July 2019

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Disclaimer: This article represents independent research that was commissioned by the Director of Labour Market Enforcement to inform his Annual Strategy 2019/20. The views and opinions expressed in this article are those of the authors, and do not necessarily reflect the official views, policy or position of the Director or any agency of HM Government.

1 Executive Summary

Background and methodology

This research was commissioned by the Director of Labour Market Enforcement (DLME) to explore how the Warehousing sector has been affected by the fissuring of the employment relationship between employers and workers over the last 10 years.

The research consisted of two elements - secondary desk research and primary qualitative interviews. The desk research involved a data review and a literature review. The data review focused on the structure of the Warehousing sector population, including: size and number of businesses in the sector by country and region; overall employment, including the occupational profile of the workforce and use of non-UK workers; and recruitment methods used in the industry. The literature review focused on employment relationship issues, the characteristics of the sector and broad trends in sector composition and employment over time.

The primary qualitative research was undertaken with stakeholders and workers in the Warehousing sector. We spoke to 8 stakeholders and 32 sector workers. The stakeholder interviews lasted for an average of an hour each and took place over the phone. The worker interviews took an average of 50 minutes each and were a mix of face-to-face and telephone interviews.

Characteristics and trends in the Warehousing sector

The Warehousing and storage subsector (SIC 52.1) is part of the broader Warehousing and distribution sector (SIC 52). There are over 23,200 establishments in the Warehousing and support activities for transportation sector, of which over 11,700 are in the Warehousing and storage subsector. Recent growth in the sector has been fuelled by changes in demographics and consumer habits and a rise in online shopping.

The retail sector dominates Warehousing in volume terms. Some companies (including some retailers) use third party logistics providers to outsource elements of their Warehousing needs and distribution services. Many sectors across the economy rely on Warehousing (and associated delivery services) for their smooth operation. Just-in-time delivery requirements places huge demands on the sector and this in turn has implications for the number of workers required at different times of the year and for the intensity of work in the sector.

Challenges facing the sector include supply chain pressures, skills shortages, reliance on non-UK workers, and adverse media attention affecting sector image.

The worker-employer relationship

Nature of employment in the Warehousing sector

The sector is dominated by jobs in lower occupational groups, including 'Elementary trades and related occupations', 'Process, plant and machine operatives' and 'Transport and mobile machine drivers and operatives'. It is also characterised by low pay, which has been exacerbated as the sector shifts from an 'industrial' to a 'service' sector.

Flexibility lies at the heart of sector labour requirements in Warehousing, particularly in light of increased demand in the period from September to January related to Black Friday, Christmas and the January sales. The most common types of flexible working in the sector are annualised hours

contracts (6.8 per cent), flexi-time (5.9 per cent) and zero-hours contracts (2.7 per cent). Use of agencies and umbrella companies is common, and some stakeholders suggested that this may lead to increased likelihood of employment rights breaches.

Recruitment practices and retention

The sector overall is fairly active in terms of recruitment, with over half of establishments reporting that they had recruited staff during the previous year in 2017. Overall, 8 per cent of establishments had hard-to-fill vacancies and 7 per cent had skills shortage vacancies. The main causes of hard-to-fill vacancies were 'low number of applicants with the required skills', 'not enough people interested in doing this type of job', and 'low number of applicants generally'.

Employers often use numerous channels for recruitment, including word of mouth, agencies and other paid for recruitment services, their own website and social media. Most distinctively, paid for recruitment services (including agencies) were used by 59 per cent of recruiting employers (15 percentage points more than across all sectors). Recruitment and employment of non-UK EU nationals is more common in the sector than average.

Drivers of non-compliance

Compliance with labour regulations is variable across the sector. While there are many 'good' employers and agencies, there are also some who pay less attention to employment rights legislation. There is a spectrum of non-compliance, ranging from advanced fee fraud to employers that genuinely do not realise they are in breach of legislation.

Drivers of non-compliance with employment rights legislation include: long supply chains that make it difficult for workers to know who they are engaging with; widespread use of agencies and umbrella companies including some who do not respect relevant legislation; use of non-standard contracts; business pressures driven by large retailers forcing down costs; and workers' lack of understanding of their legal status/rights.

Worker experiences of employment breaches

Warehousing workers reported a variety of employment rights breaches. There were three key areas where common breaches occurred:

- **Breaks** – Being told or asked not to take breaks tended to occur when there was a high level of work to get through and targets were not being met. Workers on less secure contracts were more likely to feel pressured to work through their breaks and not challenge employers.
- **Pay** – Common issues around pay involved either not being paid for all the hours worked or not being paid on time. Overall, not being paid for the total number of hours worked was slightly more common than not being paid on time. Both instances were generally seen to be due to administrative errors; however, some occasions may have been intentional non-compliance by the employer.
- **Health and Safety** – Lack of appropriate equipment and space to conduct work safely was noted by workers. Healthy and safety concerns were reported by both junior and senior members of staff.

The following breaches were less common:

- Contract – Not being given a written contract was experienced by a small proportion of workers.
- Harassment – Predominantly verbal harassment was reported by some more junior members of staff.
- National Minimum Wage (NMW) / National Living Wage (NLW) – Being paid below NMW / NLW was not experienced by any of the workers that we spoke to, but some workers did believe that this occurred in the industry and non-UK workers were the most at risk.

Awareness of rights and raising issues

Stakeholders felt that workers generally had limited awareness of both employment rights and routes for raising breaches. They felt that workers had the highest level of awareness of National Minimum Wage/ National Living Wage entitlement. Awareness of rights around employment conditions such as holiday pay, sick pay, paid overtime, or breaks, was felt to be more limited. Generally, stakeholders believed that workers lacked awareness of most of the support agencies that they could turn to for assistance or to report incidents.

Conversely, workers generally felt that they were reasonably aware of their rights in the workplace. However, when prompted on a variety of possible breaches, workers did not seem to have a high level of knowledge of their rights which would support this confidence.

When workers had experienced breaches, they tended to raise these internally with their employer. They tended to speak to managers or supervisors in the first instance. None of the warehouse workers had turned to external agencies for assistance. This was predominantly due to the fact that they lacked awareness of the agencies that they could turn to for support or guidance.

Workers were prompted on a range of available support organisations. Workers recognised the names of Citizens Advice (CA), Unite the Union, and the Advisory, Conciliation and Arbitration Service (ACAS). HMRC was also frequently recognised, but not within the context of the NMW team. Workers tended rather to recognise that HMRC were the Government department that dealt with (income) tax. Workers had limited awareness of the Modern Slavery Helpline, Union of Shop, Distributive and Allied Workers (USDAW), Gangmasters and Labour Abuse Authority (GLAA) and Employment Agency Standards Inspectorate (EASI).

Stakeholders agreed that more could be done to improve workers' awareness of their rights and advice or support agencies. The following were suggested as ways to increase awareness: working with community groups; use a broader range of communication approaches; improvement of government guidance; and further direct communications from employers and agencies to their employees.

2 Introduction

Background and research objectives

This research was conducted on behalf of the Director of Labour Market Enforcement (DLME), to feed into the Director's 2019/20 annual strategy, which will be delivered to the Government by the end of March 2019. The Director's 2018/2019¹ labour market enforcement strategy highlighted the profound changes that have taken place in the UK labour market in the last four decades, including the decline in both trade union membership and collective bargaining coverage, and labour's share of national income. There has also been a 'fissuring' of the employment relationship between the worker and the employer (Weil 2008)². This relationship is now increasingly complex where employers have contracted out, franchised, subcontracted and devolved many functions that were once done in-house. David Weil uses the term 'the fissured workplace' to describe workplaces where the use of out-sourcing and sub-contracting results in a situation where margins on labour are increasingly squeezed, wages reduced, and many workers lose the benefits of traditional employment relationships including career paths, safe working environments, and sick pay.

This research was commissioned to explore how the Warehouse sector, has been affected by the 'fissuring' of the employment relationship between employers and workers over the last 10 years. To investigate this, the research explores:

- changes in business ownership, employment models and the types of employment contracts used to employ workers in the sector;
- how workers are recruited to the sector and the nature of the employment relationship;
- the extent to which sector workers are aware of their employment rights;
- the types of breaches that (most commonly) occur in the sector;
- worker awareness of routes they can take to seek advice or to make complaints about exploitation or non-compliance by their employer; and
- other data or information sources that can inform and build upon primary research into the scale and nature of non-compliance.

IFF Research were also commissioned to conduct research of the same nature within the Restaurant sector. This report focuses on the Warehouse sector study.

Workers' Rights in the UK

Common breaches of workers' rights include the following:

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705495/labour-market-enforcement-strategy-2018-2019-executive-summary.pdf

² Weil, D. (2008) A strategic approach to labour inspection. *International Labour Review* 147(4) 349-375. Available at: http://www.ilo.org/public/english/revue/download/pdf/s3_weil.pdf

Topic	Issues ³
Wage underpayment	<p>Paying less than National Minimum Wage (NMW) / National Living Wage (NLW) – which in 2018/2019 was £4.20 for those under 18, £5.90 for those 18 to 20, £7.38 for those 21 to 24 and £7.83 for those 25 and over.</p> <p>Underpaying Apprentices - For those under 19 or in first year of placement NMW is £3.70 an hour. Those over 19 who have completed the first year of their placement are entitled to the standard NMW for their age bracket.</p> <p>Working unpaid hours.</p> <p>Unpaid holiday - Not informing workers of their entitlement or not allowing to carry forward accrued holiday.</p>
Too many working hours	<p>The Working Time Directive stipulates workers can't work more than 48 hours a week (on average) – unless they opt out. There are also some exceptions to this such as jobs in the armed forces or emergency services.</p>
Too little holiday entitlement	<p>Almost all full-time workers are entitled to 5.6 weeks paid holiday a year (equivalent to 28 days for someone who works 5 days a week). This can include bank holidays.</p> <p>Entitlement is pro-rated for part-time workers, depending on how many hours they work each week.</p>
Insufficient rest breaks	<p>Most workers over 18, who work more than 6 hours a day, are entitled to at least one uninterrupted 20-minute break during the day (this could be a tea break or lunch break and doesn't have to be paid).</p> <p>Workers also have the right to 11 hours rest between working days, and an uninterrupted 24 hours without any work each week, or an uninterrupted 48 hours without any work each fortnight.</p>

Methodology

Definition of the sector of interest

The sub-sectors covered by the study (defined by SIC 2007) are:

³ All information included in this table was correct at the time that this research report was written (January to March 2019).

- 52 Warehousing and support activities for transportation
- 52.100 Warehousing and storage
- 52.219 Other service activities incidental to land transportation, n.e.c. (not including operation of rail freight terminals, passenger facilities at railway stations or passenger facilities at bus and coach stations)

However, the focus was on picking and packing in distribution centres, rather than delivery services.

The above sub-sectors are referred to together throughout the report as the 'Warehousing' sector.

Research Method

The research had two main components: desk research and qualitative fieldwork.

Desk Research

Two stages of desk research were conducted: a data review and a literature review.

Dr David Owen, Principal Research Fellow at the Institute of Employment Research (IER) at the University of Warwick, conducted an analysis of existing data sources, including the Labour Force Survey, UK Business Counts from the IDBR, the Business Register and Employment Survey, and the Workplace Employment Relations Study. The data review explored changes to the UK Warehousing sector in the last 10 years. It focused on:

- the structure of the business population, including size and number of businesses in the sector by country and region
- overall employment, including the occupational profile of the workforce and use of non-UK workers.
- recruitment methods used in the Warehousing sector.

Professor Anne Green at City-REDI (Regional Economic Development Institute), University of Birmingham, an expert in labour market research with over 35 years' experience, conducted a literature review. For the literature review a search was undertaken using a series of terms focusing on employment relationship issues and the warehousing sector. An adapted version of systematic searching was supplemented by hand searching of particular sources. This review covered the most relevant published and grey scientific and policy literature, published over the last 10 years.

Qualitative Interviews

Qualitative interviews were conducted with workers in the sector, as well as industry stakeholders and experts, including those from major sector bodies, unions, and advisory organisations. Interviews with stakeholders and experts explored the changing nature of employment and the extent and nature of non-compliance within the Warehousing sector. Additionally, we asked stakeholders to recommend reports, data sources or grey literature they felt may be relevant to the research.

Interviews with workers asked about their employment situation, their understanding of their employment rights, their experiences at work, and their awareness of potential sources of information and support. Specifically, interviews focused on instances of breaches to workers' employment rights,

including how these breaches impacted them and how they dealt with them. Examples of the type of issues discussed included problems with pay, contracts and working conditions.

Who we spoke to

Stakeholders

We conducted eight in-depth interviews with stakeholders and industry experts: four covered both the Warehousing and Restaurant industry, as well as four whose expertise was specific to the Warehousing industry. These interviews lasted around an hour.

Workers

A total of 32 workers in the sector were interviewed for the research. Qualitative interviews lasted around 50 minutes and were conducted both face-to-face and over the telephone.

The qualitative nature of the research means that interviews aimed to investigate the nature of non-compliance and to gain detailed insight into the experiences of workers, as opposed to quantifying the nature and prevalence of non-compliance within the industry.

Qualitative research allows us to explore individual experiences in detail. The use of words such as 'most', 'some' and 'few' are illustrative of the data collected for this research. However, findings should not necessarily be interpreted as being representative of all workers in the Warehousing industry.

Participants completed a recruitment screener to ensure that the research spoke to a variety of workers within the sector. Workers were screened to ensure a good mix across the following characteristics: employment type; type of employers; whether they were UK or non-UK citizens; and whether they had raised any issues with their employer. We also monitored average weekly hours, gender, and age. A full breakdown of the interviews achieved is included in Appendix A (Table A1).

3 Characteristics and trends in the Warehousing sector

This chapter explores findings from the secondary data analysis and literature review. It covers the structure of the sector, the wider market and key challenges facing the Warehousing sector. It argues that a number of factors, including the growth of online retailing, access to low-cost labour, and travel times are influencing location decisions. The sector is undergoing significant change with the introduction of lean logistics and new IT, distribution technologies and labour management systems. Major retailers exercise control in a competitive environment, and they chapter describes how increasingly complex chains of command mean that can workers be more vulnerable to exploitation and employers can become confused about the legislative requirements placed on them.

Structure of the Warehousing sector

The Warehousing and storage subsector (SIC 52.1) is part of the broader Warehousing and distribution sector (SIC 52). This report focuses on 52.1 (where sectoral disaggregation available in source material permits), so on picking and packing activities in distribution centres, rather than delivery services.

Warehousing and logistics may be seen as an enabler for the rest of the economy⁴: many sectors across the economy rely on Warehousing (and associated delivery services) for their smooth operation. Just-in-time delivery requirements places huge demands on the sector and this in turn has implications for the number of workers required at different times of the year and for the intensity of work in the sector (as explored further below).

Establishments by size

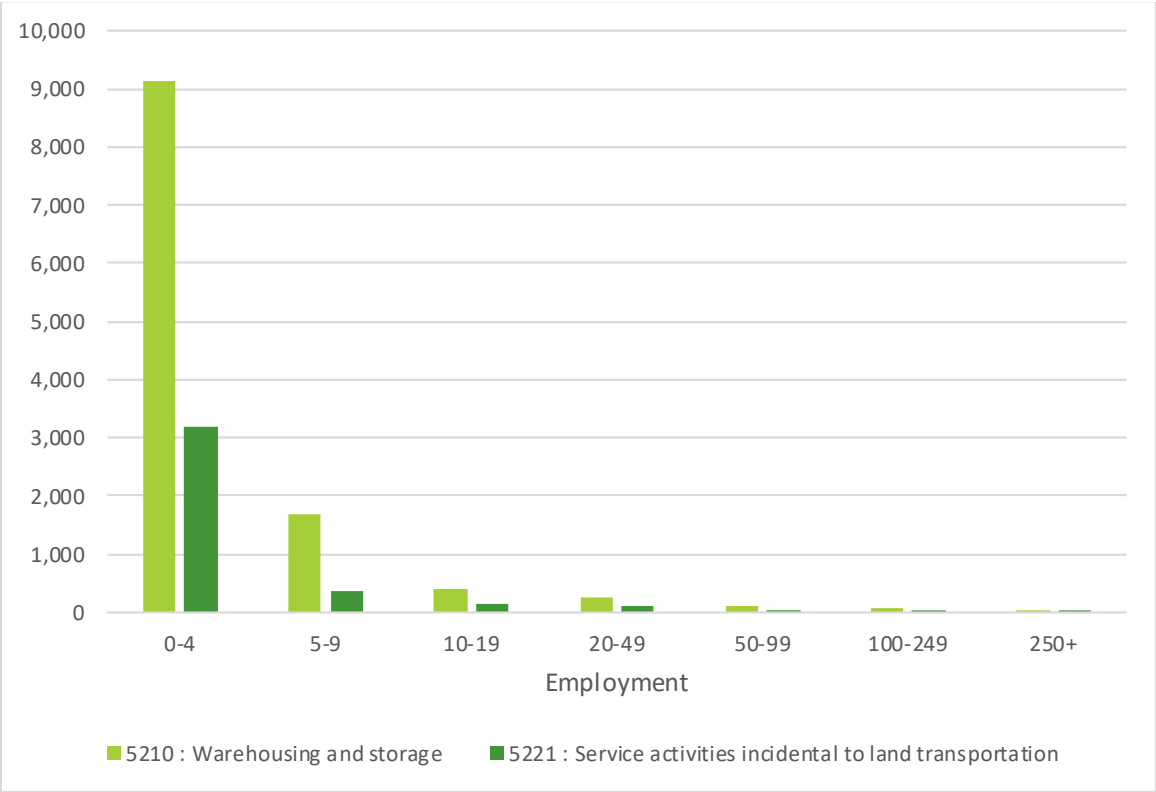
There are over 23,200 establishments in the Warehousing and support activities for transportation sector, of which over 11,700 are in the Warehousing and storage sub-sector. Recent growth in the sector has been fuelled by changes in population growth and consumer habits and a rise in online shopping. Data from the ONS Retail Sales Index time series shows that in November and December 2018 online sales comprised 21.5 per cent⁵ and 20 per cent, respectively, of all retail sales, up from approximately 12 per cent in 2013 and 6 per cent in 2008.

The Warehousing sector is characterised by a large proportion of smaller establishments, with mostly fewer than 9 employees and turnover under £100,000 in 2018 (Figures 3.1 and 3.2). Data from UK Business Counts shows that establishments in Warehousing (with SIC 52.1 Warehousing and storage) are predominantly in the 'micro' category by size band, employing 0 to 9 members of staff in both 2010 and 2018.

⁴ United Kingdom Warehousing Association (2017) *UKWA Manifesto – Why logistics is important to the UK economy*.

⁵ The November figures are boosted by inclusion of Black Friday.

Figure 3.1 : Enterprises by employment size, 2018

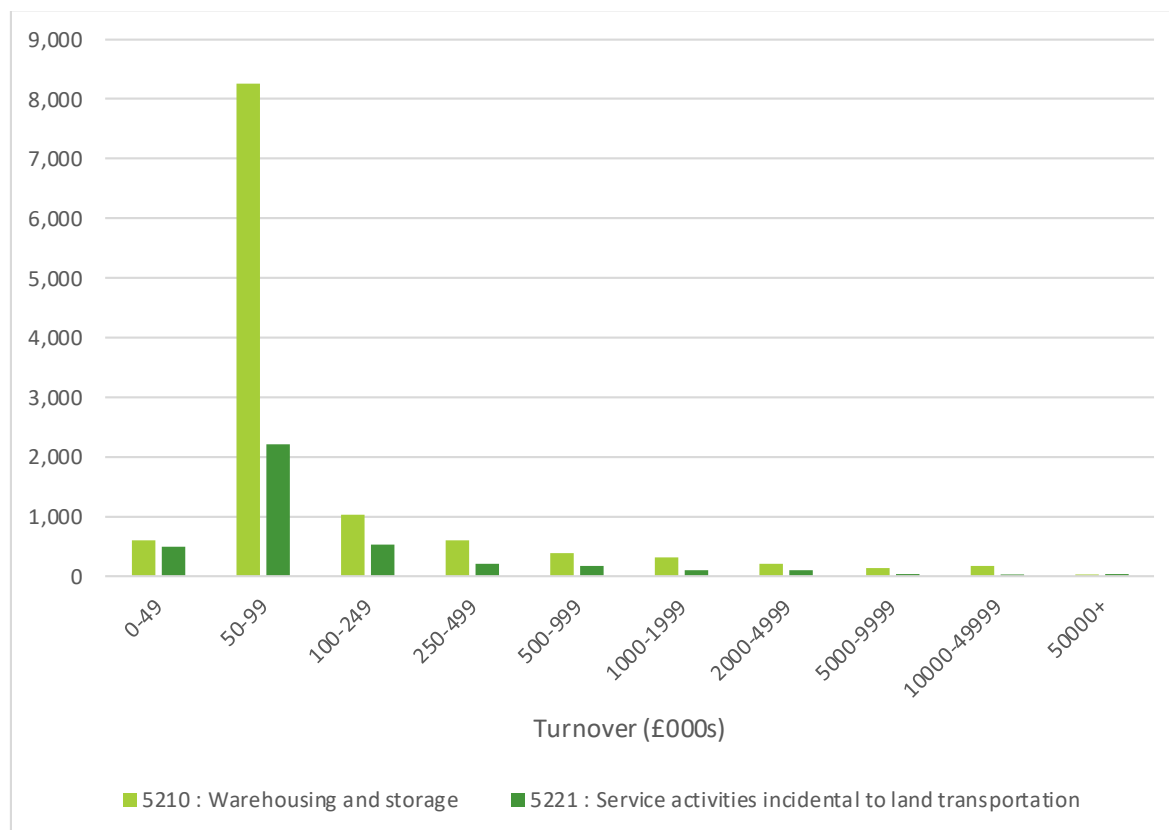


Source: ONS UK Business, Size and Location statistics⁶

In terms of turnover, the vast majority of sector businesses have annual turnovers of between £50,000 and £99,000 per year.

⁶<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation>

Figure 3.2 : Enterprises by turnover, 2018



Source: ONS UK Business, Size and Location statistics

The share of micro establishments increased from nearly four-fifths to nine in ten over this 8-year period in the sector as a whole and in warehousing and storage. The percentage in the largest category fell in both over this period. This is because while the number of establishments in the sector increased in all size groups between 2010 and 2018, the rate of increase was much faster for establishments with 0 to 9 employees than for larger establishments (Table 3.1). This pattern was apparent for both the sector as a whole and the two sub-sectors. In 2010, warehousing was much more dominated by large establishments than the average for all industry sectors, but by 2018, the percentage of establishments with under ten employees was higher than the average for all industries.

Table 3.1 : Size distribution of establishments in the Warehousing sector, 2010 and 2018

Employee nt Size band (number of employees)	2010				2018			
	52: Warehousi ng and support activities for transportat ion	52.1: Warehou sing and storage	52.21/9: Other service activities incidental to land transportati on	All industry sectors	52: Warehousi ng and support activities for transportati on	52.1: Warehousi ng and storage	52.21/9: Other service activities incidental to land transportati on n.e.c.	All industry sectors

Total	9,735	2,865	1,290	2,100,370	23,200	11,720	3,845	2,669,440
Micro (0 to 9)	77.7	76.4	79.8	88.6	89.0	92.4	91.4	89.3
Small (10 to 49)	16.4	17.1	15.9	9.4	8.0	5.6	6.1	8.7
Medium-sized (50 to 249)	4.5	4.9	3.1	1.6	2.3	1.5	2.0	1.6
Large (250+)	1.4	1.4	1.6	0.4	0.7	0.5	0.5	0.4

Source: UK Business Counts

Regional distribution of the sector

The geography of the Warehousing sector is largely dictated by closeness to markets, i.e. to major population centres, as well as to transport links.⁷ This helps explain why the sector has a particular concentration in the Midlands, at the heart of the UK motorway network, and in London and the South East (i.e. areas with the greatest concentration of population).⁸ However, the growth in online retail has led to the opening of more remote large distribution centres that deal solely with online sales, as well as the existing smaller distribution centres close to urban markets.⁹

ONS data shows that in March 2017 24 per cent of Warehousing & Storage *enterprises* in the UK were in the East of England, 21 per cent in the North West and 19 per cent in the West Midlands. However, the South East dominates in terms of employment levels, when looking across the regions. The South East accounts for 46 per cent of employment within the Warehousing industry, which is considerably more than the second largest level of employment at 14 per cent in the East of England. Given the rise in online shopping there is increased pressure for locations close to/ within easy reach of urban centres. The growth of online retailing is leading to a two-tier market in the warehouse sector, with smaller distribution centres close to urban markets and remoter large distribution centres to deal solely with internet sales.¹⁰

The UK Business Counts provide a higher estimate of total employment in warehousing and storage than the Business Register and Employment Survey (Table 3.2)¹¹. There is marked variation between the nations of the UK and the regions of England in the size of enterprises: South-East England accounts for around half of the turnover of the sector and enterprises in this region are much larger than elsewhere. Enterprises in the East Midlands and Scotland also employ more people than average.

⁷ United Kingdom Warehousing Association (2015) *op cit*.

⁸ United Kingdom Warehousing Association (2015) *op cit*.

⁹ See <https://www.amaresearch.co.uk/products/Warehousing-construction-2014>

¹⁰ See <https://www.amaresearch.co.uk/products/Warehousing-construction-2014>

¹¹ The UK Business Counts series is based on data from the Inter-Departmental Business Register (IDBR). This covers VAT/PAYE registered businesses in the UK plus an estimate of unregistered businesses. The numbers presented here are the number of enterprises on the register taken on 10 March 2018. The Business Register and Employment Survey is undertaken in August/September of each year, surveying 85 thousand (out of a total of nearly 2.5 million) businesses in Great Britain sampled from the IDBR. The BRES data excludes self-employment.

Table 3.2 : Enterprises, employment and employees in 2017 of VAT and/or PAYE based enterprises in Regions of the United Kingdom for UK SIC 2007 Group 52.1 - Warehousing and storage

Nation or Region	Enterprises	Employment	Employees	Mean employment per enterprise
North East	155	1,795	1,770	12
North West	2,075	15,899	15,853	8
Yorkshire and The Humber	1,075	10,700	10,646	10
East Midlands	465	23,662	23,628	51
West Midlands	1,905	14,551	14,498	8
East	2,360	12,264	12,187	5
London	410	4,737	4,684	12
South East	600	79,316	79,188	132
South West	305	3,290	3,217	11
<i>England</i>	<i>9,350</i>	<i>166,214</i>	<i>165,671</i>	<i>18</i>
Wales	225	1,462	1,427	6
Scotland	255	5,452	5,403	21
Northern Ireland	70	892	881	13
UK	9,900	174,020	173,382	18

Source: ONS commissioned tables from the Inter-Departmental Business Register (IDBR) and Business Register and Employment Survey (BRES)¹²

Note: Employment encompasses employees plus working proprietors

Employment has grown strongly in the sector over the period 2009 to 2017. The Warehousing sector accounted for 1.3 per cent of total employment in Great Britain in 2009 and 1.8 per cent in 2017. The share of Warehousing and storage specifically increased from 0.6 per cent to 1 per cent over the same period (Table 3.2).

The *employment share* of the Warehousing sector within each region was largest in the East of England, the West Midlands, London and the South East of England in 2009. This had fallen sharply by 2017 in London, but doubled in Yorkshire and the Humber, and grew rapidly in the West Midlands, leaving these as the two regions in which the sector accounted for the largest share of employment (as a proportion of total employment in that region). This reflected the pattern of growth in the Warehousing and storage sub-sector, the employment share of which contracted sharply in London.

¹² The data in this table is accessible from:

<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/adhocs/008039regionalanalysisofthewarehousingandstorageindustry>

Table 3.3 : Regional distribution of the Warehousing sector, 2009 and 2017

Nation or Region	Percentage share of employment, 2009			Percentage share of employment, 2017		
	52: Warehousing and support activities for transportation	52.1: Warehousing and storage	52.21/9: Other service activities incidental to land transportation n.e.c.	52: Warehousing and support activities for transportation	52.1: Warehousing and storage	52.21/9: Other service activities incidental to land transportation n.e.c.
North East	0.7	0.3	0.1	1.4	0.7	0.2
North West	1.3	0.6	0.3	2.0	1.3	0.2
Yorkshire and The Humber	1.3	0.7	0.3	2.6	1.3	0.4
East Midlands	1.2	0.8	0.1	2.1	1.7	0.2
West Midlands	1.4	0.9	0.1	2.6	1.9	0.3
East	1.7	0.9	0.1	2.3	1.2	0.2
London	1.4	0.2	0.5	1.1	0.3	0.2
South East	1.4	0.5	0.3	2.0	1.0	0.3
South West	0.9	0.5	0.1	1.1	0.7	0.2
Wales	0.8	0.4	0.2	1.1	0.8	0.1
Scotland	1.2	0.4	0.2	1.6	0.7	0.3
Great Britain	1.3	0.6	0.2	1.8	1.0	0.3

Source: Business Register and Employment Survey

The sector gained 190 thousand jobs in Great Britain between 2009 and 2017, growing by 52.9 per cent over this period (Table 3.3). The rate of change in employment between 2009 and 2017 was almost twice as high in the warehousing and storage sub-sector. Sector employment numbers more than doubled in the North East, Yorkshire and the Humber and West Midlands, whereas employment grew most slowly in London. The regional pattern of employment growth was rather different to that for all industries, in which employment grew fastest in London, the neighbouring regions of southern and eastern England and the West Midlands.

Table 3.4 : Regional employment change in the Warehousing sector, 2009 to 2017

Nation or Region	52: Warehousing and support activities for transportation		52.1: Warehousing and storage		52.21/9: Other service activities incidental to land transportation n.e.c.		All industry sectors	
	Change	% change	Change	% change	Change	% change	Change	% change
North East	8,000	114.3	4,500	128.6	1,150	191.7	52,000	5.1
North West	25,000	59.5	24,000	120.0	0	0.0	279,000	9.3
Yorkshire and The Humber	33,000	110.0	17,000	106.3	5,000	83.3	153,000	6.9
East Midlands	22,000	91.7	21,000	140.0	1,000	40.0	181,000	9.5
West Midlands	35,000	106.1	29,000	131.8	6,000	200.0	277,000	12
East	21,000	47.7	12,000	54.5	4,000	133.3	334,000	13.8
London	1,000	1.7	6,000	75.0	-7,000	-35.0	991,000	23.9
South East	28,000	50.9	21,000	105.0	2,000	20.0	376,000	10.1
South West	6,000	27.3	4,000	30.8	1,500	50.0	114,000	4.9
Wales	4,000	40.0	6,000	120.0	-500	-22.2	70,000	6
Scotland	11,000	35.5	8,000	72.7	1,000	16.7	81,000	3.4
Great Britain	190,000	52.9	152,000	97.4	14,000	21.5	2,907,000	10.9

Source: Business Register and Employment Survey

There is also some evidence that labour market tightness is impacting location decisions, considering the difficulties faced when recruiting in low unemployment areas.¹³ This same point is also exemplified by Amazon establishing a large warehouse in Dunfermline in order to take advantage of relatively high unemployment and low wages.¹⁴ In contrast, wage pressures resulting from tight labour markets are particularly pronounced in southern England.¹⁵ This suggests that labour market factors (and the ability to follow a low cost business model) as well as travel times are influencing location decisions.

Research¹⁶ by the Resolution Foundation (2018)¹⁷ involving focus groups with agency workers and quantitative data analysis using the Labour Force Survey concluded that enforcement activities regarding compliance would be best focused in local labour markets with relatively high proportions of agency workers and relatively high unemployment rates given that poor practice in agency working is

¹³ Recruitment and Employment Confederation (2017) *Ready, willing and able?: Can the UK labour force meet demand after Brexit.*

¹⁴ Thame D. (2017) *Labour pains (impact of staff availability on the warehouse sector)* in *Estates Gazette*, (EG Industrial, 4 Mar 2017, s Thame D. (2017) *Labour pains (impact of staff availability on the warehouse sector)* in *Estates Gazette*, (EG Industrial, 4 Mar 2017, supplement), 12-13. supplement), 12-13.

¹⁵ UK Warehousing Association (2018) *Labour Intensive: UKWA Logistics Users Group Round Table Report.*

¹⁶ This research is not specific to Warehousing but Warehousing was included in the analyses.

¹⁷ Judge L. (2018) *The good, the bad and the ugly: The experience of agency workers and the policy response*, Resolution Foundation, London.

more likely to be found in such areas and there are reduced opportunities for workers to 'exit' for other jobs and so their willingness to complain about poor practice is likely to be curtailed.¹⁸

Recent trends in Warehousing sector

Historically Warehousing was not considered as a profit centre in its own right but rather as a link between production and consumption, characterised by pay, employment structures and working conditions akin to those in manufacturing. This situation changed with the introduction and diffusion of information technology (IT) as part of the management system (i.e. lean logistics) and the reorganisation of work and its management.

Mulholland and Stewart (2014)¹⁹ describe how through the application of lean logistics involving new IT, distribution technologies and new labour management systems the labour process has changed fundamentally. Digitalisation has enabled a transition from a 'push' to a 'pull' ordering system, in which suppliers and distributors (with warehouses at their heart – as profit centres) have to respond to 'just in time' demand requirements with short response times.²⁰ Supermarkets (and other retailers) are in a position to exercise strong power along their buyer-driven value chains²¹ and can shape the culture, values and financial costs (given the importance of price competitiveness in winning and keeping business) of the Warehousing sector. As such they have become the key drivers in the management of productivity. Figure 1 demonstrates that productivity in the Warehousing and Support Activities for Transportation industry division (measured by the value of output per hour measured in current prices) increased fairly steadily from 1997 to 2018. Average output per hour in 2018 (£27.49) was 35.66 per cent higher than in 1997 (£20.26).

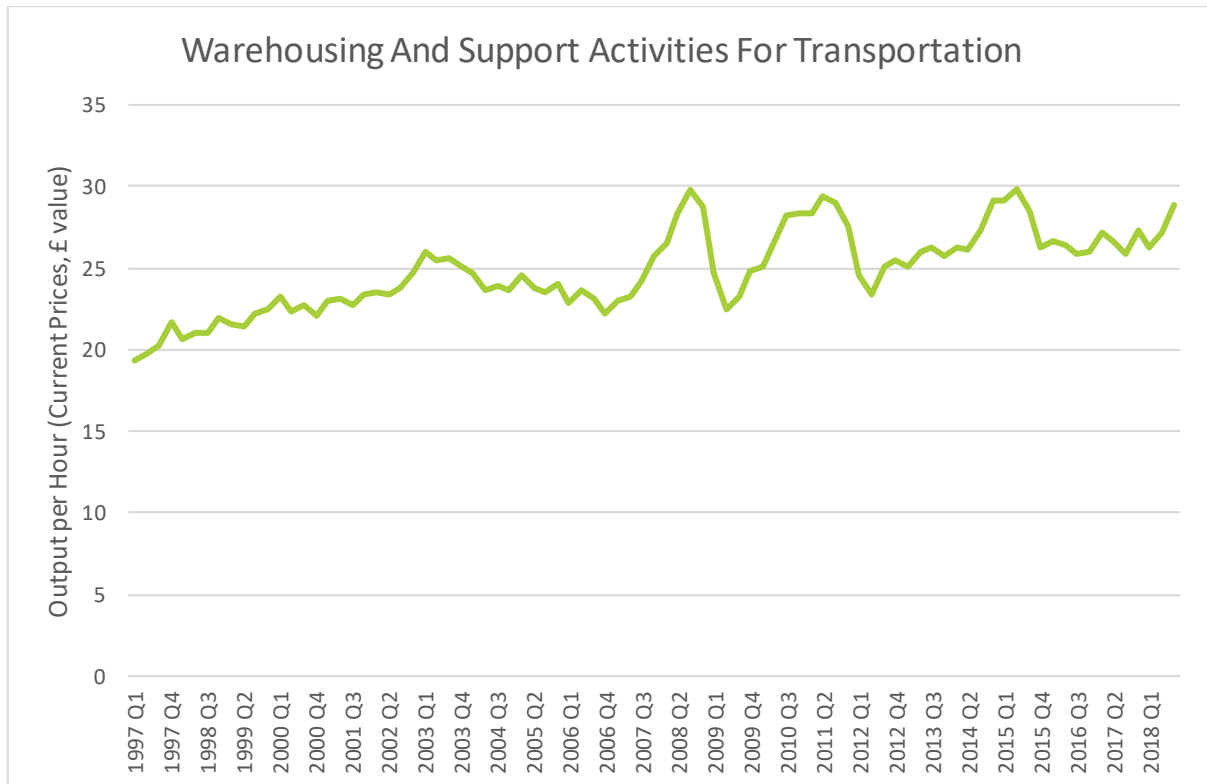
¹⁸ This links to debates regarding 'exit' (i.e. voting with one's feet and going elsewhere) and 'voice' (i.e. voicing dissent) – see Hirschmann A.O. (1970) *Exit, Voice and Loyalty*, Harvard University Press, Cambridge MS..

¹⁹ Mulholland K. and Stewart P. (2014) 'Workers in Food Distribution: Global Commodity Chains and Lean Logistics', *New Political Economy* 19 (4), 534–558.

²⁰ Sanders N., and Ritzman L. (2004) Using warehouse workforce flexibility to offset forecast errors, *Journal of Business Logistics*, 25 (2):251–69.

²¹ Jaffee D. and Bensman D. (2016) 'Draying and Picking: Precarious Work and Labor Action in the Logistics Sector', *The Journal of Labor & Society* 19, 57-79.

Figure 3.3 : Changing labour productivity in the Warehousing and Support Activities for Transportation division, 1997-2019



Source: ONS Labour productivity by industry division, July to September 2018²²

The retail sector dominates Warehousing in volume terms. Some companies (including some retailers) use third party logistics providers to outsource elements of their Warehousing needs and distribution services. These supply chain and cost cutting pressures are emblematic of fissured workplace dynamics characterised by a vertically disintegrated organisational form.²³ They are particularly evident in the sector in the adoption of zero hours contracts for agency workers.

Technological development is pervasive in the Warehousing sector and lies at the heart of productivity improvements. It has been suggested by some in the industry that technological developments have the potential to make the sector more appealing to potential workers, for example guiding workers through warehouses with graphics displayed on smart glasses to speed up the picking process and reduce errors, thereby improving productivity.²⁴ Another trend is the rise of autonomous machines.²⁵ Increased use of automation and robotics is influencing the shape and use of space in warehouses,²⁶ and also impacts on workers. There are examples of automated packing

²² www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/labourproductivitybyindustrydivision

²³ Weil D (2014) *The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It* Harvard University Press, USA.

²⁴ See a DHL pilot at

http://www.supplychain247.com/article/vision_picking_in_the_warehouse_augmented_reality_in_logistics

²⁵ Myers E. (2018) *7 New Trends in the World of Warehousing*, 14 August 2018

<http://www.systemid.com/learn/7-new-trends-in-the-world-of-warehousing/>

²⁶ Meadwell S. (2018) 'The shape of things to come (impact of new technology on industrial and distribution market)', *EG (EG Industrial, Spring 2018 Supplement)* 34, 36-37.

solutions where automation had proved to be 15 times faster than manual labour. In other instances, autonomous pick vehicles work collaboratively with manual labour.²⁷ The UK Warehousing Association acknowledges the need to upskill the workforce to take advantage of technology and automation, and that this has the potential to make jobs more appealing.²⁸

Clearly there is *potential* for workers in warehouses to lose their jobs in the coming years as technology replaces manual tasks.^{29,30} Even though many jobs such as picking are still undertaken manually, there is increasing use of technology – for example in a case study of a distribution depot³¹ use of finger scanners and wrist computers means that as barcodes of items are scanned the pace at which workers are operating is monitored. Thus, technology enables an invasive form of surveillance and labour control,³² which may be manifest in work intensification – which in turn has raised health and safety concerns (see further discussion below) amongst workers performing repetitive low-skilled tasks.³³

Challenges facing the Warehousing sector

Supply chain pressures

The Warehousing sector is subject to supply chain pressures arising from dominant players (e.g. major retailers) exerting control in a competitive environment. The retail sector now dominates Warehousing in volume terms; these supply chain and cost cutting pressures placed on warehouses are emblematic of fissured workplace dynamics characterised by a vertically disintegrated organisational form.³⁴

Qualitative research on subcontracted services work³⁵ (albeit not specifically focusing on the Warehousing sector) highlights how in a context of marketised cost pressures organisations can be in a position to exploit their power advantage over labour to evade institutional rules, but that concerns about reputation may moderate their behaviour. There is evidence that some retailers are looking to simplify their management structures with regard to warehousing. For instance, in 2017 Tesco announced that it would bring all warehouse operations carried out by DHL and Wincanton in house.³⁶ On the other hand, for some (smaller) companies there are advantages in terms of avoiding costs in owning and managing warehouses, keeping up with investments in new technologies and accessing top level talent in logistics, and scaling in accordance with organisational needs in outsourcing to a specialist third party logistics provider.³⁷

²⁷ UKWA Technology Advisory Board – How to Get Robotics Working for You (undated).

²⁸ UK Warehousing Association (2018) *Labour Intensive: UKWA Logistics Users Group Round Table Report*.

²⁹ <https://www.theverge.com/2018/5/8/17331250/automated-warehouses-jobs-ocado-andover-amazon>

³⁰ Though the most recent set of employment forecasts for the sector indicates that there will still be substantial job openings from replacement demand (e.g. from retirements) in the sector to 2024 (see figure 4.2 below).

³¹ Mulholland and Stewart (2014) op cit.

³² Penn R. (2016) 'Stratification and Work in Contemporary Logistics', *Turkish Journal of Sociology* 36 (1), 125-142.

³³ Underhill E. and Quinlan M. (2011) 'How precarious employment affects health and safety at work: the case of temporary agency workers', *Industrial Relations* 397-421.

³⁴ Weil D (2014) *The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It* Harvard University Press, USA.

³⁵ Grimshaw D., Cartwright J., Keizer A. and Rubery J. (2018) 'Market exposure and the labour process: the contradictory dynamics in managing subcontracted services work', *Work, Employment and Society* DOI: 10.1177/0950017018759206.

³⁶ See <https://www.tescopl.com/news/news-releases/2017/tesco-simplifies-distribution-operations/>

³⁷ See <https://www.paultrudgian.co.uk/logistics-outsourcing-5-reasons-partner-3pl/>; <https://www.chipmanrelo.com/third-party-warehousing-and-distribution-for-retailers/>

The increasingly complex chain of command in the Warehousing sector also means that workers are more vulnerable to exploitation and employers (particularly smaller employers) can become confused about the legislative requirements placed on them.

It impacts workers in several ways – complete confusion about who employs them, what their rights are. A separation between worker and who is responsible for them. There is also a general lack of clarity about what their rights are, what they should expect, who's paying who.

Stakeholder, Warehousing

On-demand pressures

Changes in consumer habits and the rise of online shopping has fuelled growth in the Warehousing sector and has placed new demands on the sector with order patterns order volumes, speed of delivery and narrowing margins placing pressures on the sector to operate with ever greater efficiency and productivity.³⁸

Skills shortages

Skills shortages are a key challenge for the sector. The Employer Skills Survey 2017 found that the main causes of hard-to-fill vacancies in the sector were 'low number of applicants with the required skills', 'not enough people interested in doing this type of job' (particularly for Warehousing), and 'low number of applicants generally'. Additionally, for Warehousing and storage, 'computer literacy / basic IT skills' (36 per cent) and 'communicating in a foreign language' (30 per cent) were more commonly mentioned as skills difficult to obtain than for establishments in other parts of the sector. Skills issues are covered in more detail in Chapter 4.

Reliance on non-UK workers

The Warehousing sector is very reliant on non-UK workers; according to the CBI (2018)³⁹ 25 per cent of staff working in warehouses in the UK (113 thousand people) are non-UK EU Nationals. Prior to Brexit it has been possible to fill these jobs with such non-UK workers, often entering jobs in warehouses via agencies and constituting a precarious migrant workforce that is temporary, easily dispensable, and low cost.⁴⁰ Indeed, nearly two-thirds (63 per cent) of establishments in the Warehousing sector had tried to recruit non-UK nationals to hard-to-fill vacancies according to the Employer Skills Survey 2017.

Adverse media attention

Press reports and longer accounts of reporters working undercover in low-paid warehouse jobs provide insights into the lived reality of working in such posts (albeit usually for a short period).⁴¹ The fact that insights are forthcoming from such undercover reports emphasises the fact that workers in Warehousing are not public facing and this in itself means that workers are more vulnerable to labour abuse. The sector has suffered adverse media attention relating to stringent performance

³⁸ United Kingdom Warehousing Association (2015) *The Size and make up of the UK Warehousing Sector*. Report in association with Savills.

³⁹ CBI (2018) *Open and Controlled: A New Approach to Immigration After Brexit*, reporting a Freight Transport Association submission to the Migration Advisory Committee in 2017.

⁴⁰ Sporton D. (2013) 'They Control My Life': the Role of Local Recruitment Agencies in East European Migration to the UK', *Population, Space and Place* 19, 443–458.

⁴¹ For example see various press reports and Bloodworth J. (2018) *Hired: Six Months Undercover in Low-Wage Britain*, Atlantic Books.

management and adverse working conditions and low pay – partly as a result of payment for non-working time on site and reductions in pay for lateness. This has resulted in workers being paid below the NMW in some cases. Such accounts in the media have been important in leading to larger-scale official investigations of working conditions – including House of Commons Committee investigations and the Taylor Review of Modern Working Practices.⁴² In general, such press reports and Committee investigations have painted the sector in a negative light and industry trade associations have been keen that this publicity should not tarnish the reputation of the whole industry such that it is seen as universally unattractive.

However, this adverse media attention relates to the sector being viewed by some potential workers as a 'last resort' sector of employment.

Summary

The warehousing sector has undergone significant change in the past 10 years, driven by the increasing concentration of power in the hand of major retailers, the growth of online retailing, and the pursuit of low-cost business models. New IT, distribution technologies and labour management systems have facilitated a shift to a 'just in time' business model where price competitiveness is key. The Warehousing sector is therefore subject to supply chain pressures, and an increasingly complex chain of command means that workers may be less clear on who their ultimate employer is, and a higher risk of employment rights violations.

The following chapter discusses characteristics of the sector workforce and employment relationships.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rq.pdf

4 The worker-employer relationship

This chapter presents findings from the secondary data analysis, literature review and stakeholder interviews. It covers: the nature of sector employment, dominant employment practices, common recruitment practices, compliance with labour regulations and drivers of non-compliance within the Warehousing sector. It notes that Warehousing is a relatively low pay sector and shows how fluctuating sector demand for labour has led to an increase in the use of non-standard (including zero-hours) contracts, as well as to an increase in the use of agencies. It identifies a number of issues which can leave workers at risk of employment rights breaches, including use of agencies; health and safety problems; use of agencies; and high proportions of migrant workers who may not be aware of their employment rights.

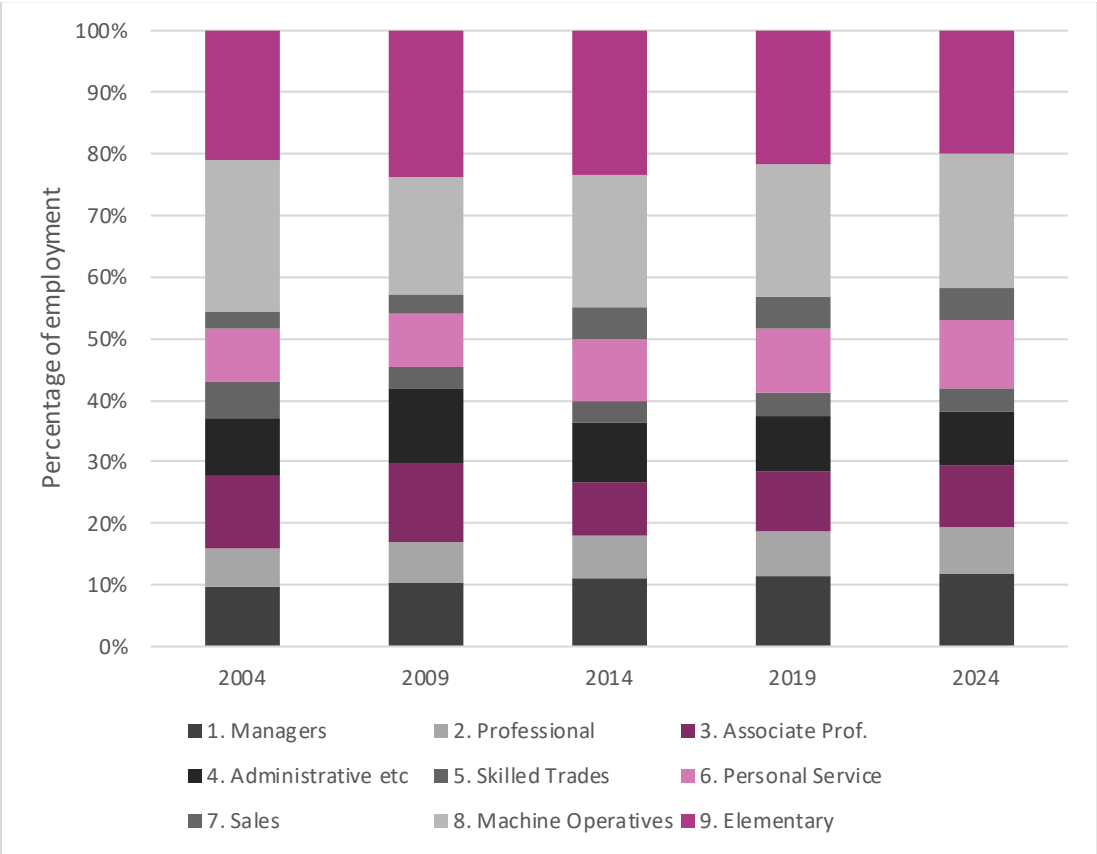
Nature of employment in the warehousing sector

Occupation structure

The occupational profile of the Warehousing sector has been fairly stable over the period 2004 to 2014 but Working Futures⁴³ projections suggest that it will share in the general shift from low to higher-skilled occupations over the period 2014 to 2024, as increasing automation is likely to reduce the proportion of elementary jobs within the sector. At present, around a fifth of the workforce is classified as being in elementary occupations, and a similar proportion classified as machine operatives. The share of managers and professionals is estimated to have been around 16 per cent in 2004 and is projected to grow to 19 per cent in 2024 (Figure 4.1).

⁴³ Working Futures is a labour market model that provides detailed projections of UK employment by occupation and industry. <https://www.gov.uk/government/collections/the-future-of-jobs-and-skills>.

Figure 4.1 : Changing occupational profile of Warehousing sector



Source: Working Futures 6

Employment in the sector is projected to grow by 45 thousand (9.5 per cent), between 2014 and 2024. This implies a requirement for an extra 230 thousand workers, with three-quarters of this (185 thousand) to replace workers leaving the sector (mainly due to retirement) over this period. Over two-fifths of this replacement demand is in machine operative and elementary occupations, and a third in personal service occupations and transport and machine operatives (Figure 4.1).

Table 4.1 : Estimated and projected employment change in Warehousing sector (52) by occupation, 2004-2024

SOC Major Group	Employment Levels (000s)			Net Change 2014-24	Replacement Demand, 2014-24	Total Requirement, 2014-24
	2004 (estimation)	2014 (estimation)	2024 (projection)			
1. Managers and Senior Officials	33	52	61	9	20	29
2. Professional Occupations	22	33	39	7	12	19
3. Associate Professional and Technical Occupations	41	41	52	11	16	27
4. Administrative, Clerical and Secretarial Occupations	32	45	45	0	18	18
5. Skilled Trades Occupations	21	17	20	2	6	8
6. Personal Service Occupations	30	47	57	11	24	35
7. Sales and Customer Service Occupations	10	25	26	2	8	9
8. Transport and Machine Operatives	86	103	114	11	45	57
9. Elementary Occupations	73	110	103	-8	36	28
Total	348	473	518	45	185	230
	Percentage of all employment			Percentage change		
1. Managers and Senior Officials	9.6	11.0	11.8	17.4	38.8	56.2
2. Professional Occupations	6.4	6.9	7.6	20.2	37.6	57.8
3. Associate Professional and Technical Occupations	11.7	8.7	10.1	26.2	38.5	64.7
4. Administrative, Clerical and Secretarial Occupations	9.2	9.6	8.7	-0.3	40.1	39.8
5. Skilled Trades Occupations	6.1	3.7	3.8	13.2	35.1	48.3
6. Personal Service Occupations	8.5	9.8	11.1	23.4	50.9	74.3
7. Sales and Customer Service Occupations	2.8	5.2	5.1	6.2	30.4	36.6
8. Transport and Machine Operatives	24.6	21.7	22.0	10.9	44.2	55.1
9. Elementary Occupations	21.0	23.3	19.8	-6.8	32.5	25.7
Total	100.0	100.0	100.0	9.5	39.1	48.6

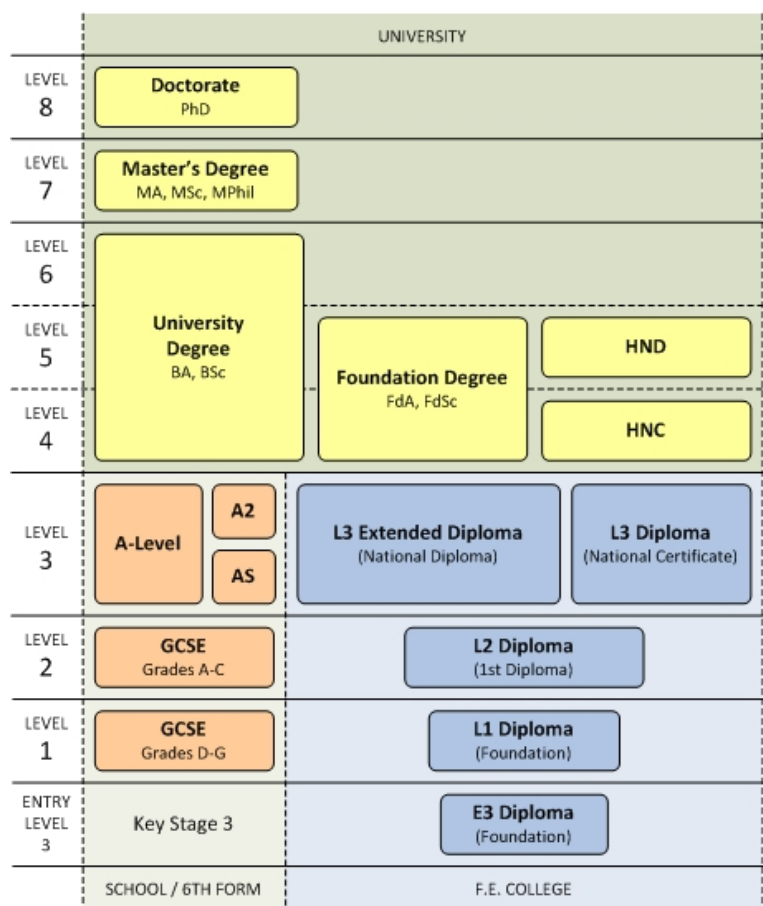
Source: Working Futures 6 employment estimations and projections from the Working Futures database.

The occupational structure of the Warehousing sector shows that the sector is very dependent on workers in jobs classed as 'Elementary trades and related occupations', 'Process, plant and machine operatives' and 'Transport and mobile machine drivers and operatives'. Elementary storage occupations are the largest single category of workers for the sector as a whole and for Warehousing

and storage (44.8 per cent, compared to 1.4 per cent for all industries; Table B1). Drivers are important in all parts of the sector, with a small percentage of the workforce made up of managers and administrators.

Qualifications

Figure 4.2 The Qualifications and Credit Framework (QCF)



Source: Accredited Qualifications

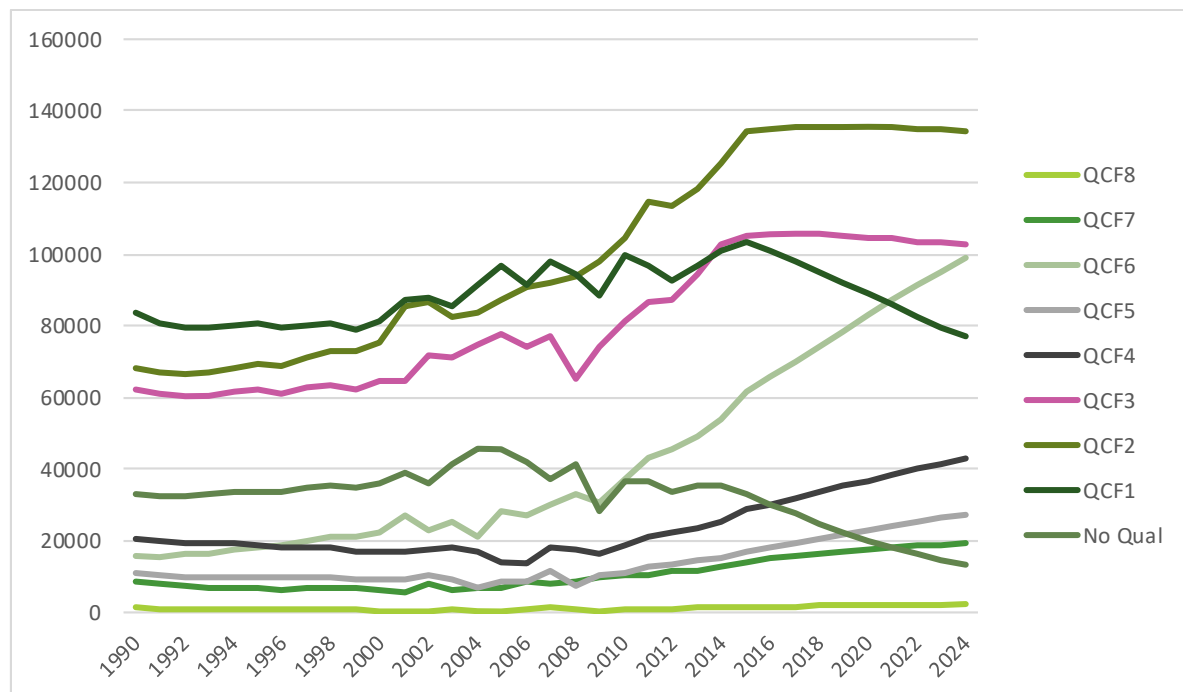
The workforce in the sector is dominated by workers whose highest educational qualification is at levels QCF2 (i.e. GCSE grades A to C or Level 2 diploma) or QCF3 (i.e. A/A2/AS level or Level 2 Diploma). Their share of employment grew in the first decade of the century and is projected to remain at around 2014 levels until 2024.

Before 2009, the bulk of the workforce was accounted for by those with qualifications less than QCF2. Since then, the share with QCF1 (i.e. GCSE grades D to G or L1 Diploma) has stagnated, and is projected to fall sharply between 2014 and 2024, as is the smaller number of employees with no qualifications.

The number of more highly-qualified workers remained fairly low until 2009 but has since grown and is projected to grow rapidly to 2024. The largest share of this projected growth relates to workers with highest qualification at QCF6 (i.e. undergraduate degree), reflecting the increased number of people who have participated in higher education. This increase may be due to the UK governments policy and drive to increase the percentage of young people going to university. The share of workers with

qualifications above QCF6 is low and is projected to grow at a slow rate between 2014 and 2024 (Figure 4.2).

Figure 4.3 : Qualification profile of the Warehousing sector, 2004-2024



Source: Working Futures 6 employment projections

Flexible working

Flexibility lies at the heart of labour requirements in Warehousing, particularly in light of increased demand in the period from September to January related to Black Friday, Christmas and the January sales.⁴⁴ For example, in 2017 Amazon planned to recruit 20,000 seasonal staff for the Christmas period,⁴⁵ which is a similar number (just over 20,000) to the total number of staff employed on a more permanent full-time basis in warehouses and delivery stations.⁴⁶

Because of the nature of the e-commerce sector, demand can change depending on consumer habits, so one example of that is Black Friday and the Christmas season, and there will be a much higher demand for staff during that time.

Stakeholder, Warehousing Sector

...Typically seasonal peaks, for example, nearly all the warehouses we supply to are as we speak building up for Christmas, that process sometimes starts in September and goes on till January, because there's a lot of after sales activity these days, with lots of internet activity.

Stakeholder, Warehousing Sector

⁴⁴ CBI (2018) op cit.

⁴⁵ <https://www.e4s.co.uk/news/articles/view/2178/job-news-and-information/part-time/Amazon-To-Create-20000-Christmas-Jobs-In-2017> (accessed 19 March 2019).

⁴⁶ <https://www.bbc.co.uk/news/business-45906785> (accessed 13 February 2019).

Adverse weather conditions can also mean online shopping increases, so leading to shorter-term fluctuations in labour demand. At the workplace, workers tend to be allocated tasks as required, allowing little (if any) scope for worker discretion. Analyses of the Skills and Employment Survey shows that between 2012 and 2017 there was a marked decline in task discretion for those in intermediate and lower-skilled jobs, such as the majority of those in Warehousing. Low task discretion has a negative impact on wellbeing and motivation compared to high task discretion.⁴⁷

The most common types of flexible working in the sector are annualised hours contracts (6.8 per cent), flexi-time (5.9 per cent) and zero-hours contracts (2.7 per cent). The level of annualised hours is higher than the all industries average at 5.1 per cent, although flexi-time is substantially lower than the all industries average (10.8 per cent). Zero-hours contracts were most common in “warehousing and storage” and slightly above the all industries average in this sub-sector. Service activities incidental to land transportation was more likely to have flexi-time (11.1 per cent) and zero hours contracts (3.3 per cent) than the warehousing and storage sub-sector and the all industries average (Table 4.2).

Table 4.2 : Flexible working patterns in the UK Warehousing sector, 2017

Type of flexible working	Percentage of employees			
	52: Warehousing and support activities for transportation	52.1: Warehousing and storage	52.21/9: Other service activities incidental to land transportation n.e.c.	All industries
Flexi-time	5.9	2.9	11.1	10.8
On-call working	2.2	1.5	9.7	2.2
Annualised hours	6.8	7.1	0.7	5.1
Term time arrangement	0.7	0.4	0.0	4.7
Job share	0.0	0.0	0.7	0.5
Nine day fortnight	0.3	0.0	1.3	0.3
Four and a half day week	1.0	0.3	2.5	0.7
Zero hours contract	2.7	2.9	3.3	2.7
None of patterns described	81.1	85.0	70.8	74.3
All employed (=100%)	291,726	132,856	22919	25,249,951

Source: Labour Force Survey, January-December 2017

At the Sports Direct Shirebrook warehouse, which was the subject of a House of Commons Business, Innovation and Skills Committee investigation in 2017, more than 80 per cent of staff were on zero hours contracts. The 336 hours per year contracts meant that after working 40 hours per week for nine weeks, the workers are essentially on zero hours contracts for the remainder of the year. This provides the agency, and in turn the client, with reduced costs and numerical flexibility to match peaks

⁴⁷ Gallie D., Felstead A., Green F. and Henseke G. (2018) *Participation at Work in Britain. First findings from the Skills and Employment Survey 2017*, LLAKES, UCL Institute of Education, London.

and troughs in business activity. This means that working hours are very much on an 'as required' basis.

Pay

As the sector has transitioned an 'industrial' sector, with wages reflecting a predominantly traditional male workforce in manufacturing, wages in the sector have reduced in relative terms.⁴⁸ Newly hired workers and those workers transferring from 'traditional' warehouses to new purpose built establishments were noted as experiencing pay cuts of between a third and a half of their former earnings, with this reduction being associated with loss of overtime and unsocial hours pay premia.⁴⁹

Another contributory factor that is important from an enforcement perspective in this trend towards lower pay is evidence of underpayment by agencies. Press investigation – involving undercover working and interviews with former employees and workers at a Sports Direct's warehouse - revealed that many workers in effect were paid less than the minimum wage per hour, given the time that they had to spend in the warehouse (including unpaid time required for searches) and deductions in pay for lateness (even for one minute), missed targets and damage to goods. At the time of this particular report⁵⁰ the practices of workplace searches and fines for lateness, etc., combined to typically add 1.25 unpaid hours to the working week, so contributing to an effective pay rate of £6.50 per hour against a statutory rate at the time of £6.70. Subsequently Sports Direct and the employment agencies used at the site – Best Connection and Transline – were 'named and shamed' for paying workers less than the statutory minimum wage.⁵¹

Median hourly full-time male and female wages were below the average for all industries in 2018 (Table 4.3). The male-female earnings differential is widest in warehousing and storage and the rate of annual increase in earnings is higher for males than females (except for part-time workers in the sector as a whole). The lowest quartile of male full-time workers in warehousing and storage earn no more than £9.81 per hour, while the lowest quartile of full-time female workers earn under £9.11 per hour. The lowest quartile of full-time workers (both male and female) in warehousing and storage earn less than the average for similar workers in all industries.

The Low Pay Commission's 2018 National Minimum Wage Report⁵² present relevant occupational information (for workers in 'storage' occupations). The percentage of workers aged 25 and over paid the NMW or National Living Wage (NLW) increased from 9.1 per cent in 2015 to 11.8 per cent in 2018. The median wage for hospitality was £9.40 in 2018, an increase of 2.7 per cent over 2017. The percentage of employees aged 25 or more who were underpaid rose from 13.1 per cent in 2015 to 17.4 per cent in 2018.

⁴⁸ Mulholland and Stewart (2014) *op cit*.

⁴⁹ Mulholland and Stewart (2014) *op cit*.

⁵⁰ Goodley S. and Ashby J. (2015) 'Revealed: how Sports Direct effectively pays below minimum wage', *The Guardian*, 9 December.

⁵¹ Butler S. (2017) 'Sports Direct and its staffing agencies paid workers £1m too little', *The Guardian*, 8 December 2017.

⁵² Low Pay Commission (2018) National Minimum Wage Report.

<https://www.gov.uk/government/publications/national-minimum-wage-low-pay-commission-2018-report>

Table 4.3 : Median gross hourly earning, 2018 (£)

Gender and work pattern	52: Warehousing and support activities for transportation	52.1: Warehousing and storage	52.21: Service activities incidental to land transportation	All industries
Male				
Full-time	13.50	12.06	11.87	14.93
Part-time	9.36	x	7.87	9.07
FT annual % change	-0.50	0.70	-33.90	2.40
PT annual % change	0.60	0.00	-4.40	4.10
Lowest quartile FT	10.46	9.81	9.63	10.76
Lowest quartile PT	8.26	x	x	7.83
Female				
Full-time	13.06	10.51	11.88	13.55
Part-time	10.03	8.80	10.00	9.45
FT annual % change	-1.90	0.30	-32.30	2.90
PT annual % change	2.30	-1.60	0.00	2.80
Lowest quartile FT	9.87	9.11	10.09	9.85
Lowest quartile PT	8.25	7.95	x	8.06
<i>Relative earnings by gender (male minus female)</i>				
Full-time	0.44	1.55	-0.01	1.38
Part-time	-0.67	-	-2.13	-0.38
FT annual % change	1.40	0.40	-1.60	-0.50
PT annual % change	-1.70	1.60	-4.40	1.30
Lowest quartile FT	0.59	0.70	-0.46	0.91
Lowest quartile PT	0.01	-	-	-0.23

Source: Annual Survey of Hours and Earnings, 2018 (provisional results).

Note: "x"=no estimate due to small sample size; "-" cannot be calculated.

Union membership

Finally, union density in the Warehousing sector has decreased as the sector has restructured. Data from the 2017 Labour Force Survey suggests that trade union membership in the Warehousing and storage subsector (SIC 52.1) is around 15 per cent. This is close to the average of 13.5 per cent of private sector employees being union members in 2017, compared with 51.8 per cent of public sector workers⁵³. However, given that workers who have recently arrived in the UK are less well covered by the Labour Force Survey this could be considered an upper estimate.

⁵³ Department for Business, Employment and Industrial Strategy (2018) Trade Union Membership 2017: Statistical Bulletin.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/712543/TU_membership_bulletin.pdf. Data from Table 2.2 of accompanying Excel workbook.

However, trade union membership remains fairly common in the wider warehousing sector (SIC52); here, just under a quarter (24.2 per cent compared with an average for all industries of 21 per cent) of workers in the sector are union members, while unions are represented at the workplace of more than a third (36.1 per cent) of workers (compared with an average of 29.3 per cent; Table 4.4). Trade union membership is significantly less common in Warehousing and storage (15.2 per cent) when compared to Service activities incidental to land transportation (42.4 per cent). Union membership for Warehousing and storage (SIC 52.1) is also less common than the average for all industries.

Table 4.4 : Trade union membership in the Warehousing sector, Great Britain 2017

	Percentage of employees responding to question			
	52: Warehousing and support activities for transportation	52.1: Warehousing and storage	52.21: Service activities incidental to land transportation	All industries
Pay / conditions affected by union agreements	34.4	22.7	56.8	26.1
Whether unions etc present at place of work	36.1	28.8	47.2	29.3
Trade union or staff association member	24.2	15.2	42.4	21.0

Source: Labour Force Survey, October-December 2017

Health and safety

Health and safety compromises whilst in pursuit of improved productivity and demanding performance targets is a factor that affects parts of the sector. Undercover and official investigations of working conditions in the Warehousing sector have uncovered health and safety breaches. Workers at the Sports Direct warehouse in Shirebrook have been reported as being penalised for short breaks for a drink of water and for taking time off when ill. Concerns were also raised about the number of ambulance visits to the warehouse.⁵⁴ Elsewhere a case study at a warehouse in Eastern England highlighted that workers were expected to buy their own protective clothing and that low paid workers tended to choose cheaper options, so compromising their safety.⁵⁵ Warehouse work is often physically demanding, with some press reports suggesting that workers walk as many as 17 or 20 miles per day.⁵⁶ There are concerns that use of technology opens up possibilities for monitoring and surveillance (of workers' performance) brings an intensification of work.⁵⁷ New technology and health and safety is something trade unions are concerned with. There is scope for new technologies to have a positive impact on health and safety in the Warehousing sector. The use of exoskeletons to reduce musculoskeletal disorders are examples here.⁵⁸

⁵⁴ House of Commons Business, Innovation and Skills Committee (2017) *op cit.*

⁵⁵ New some et al. (2018) *op cit.*

⁵⁶ Reported in GLAA (2018) *op cit.*

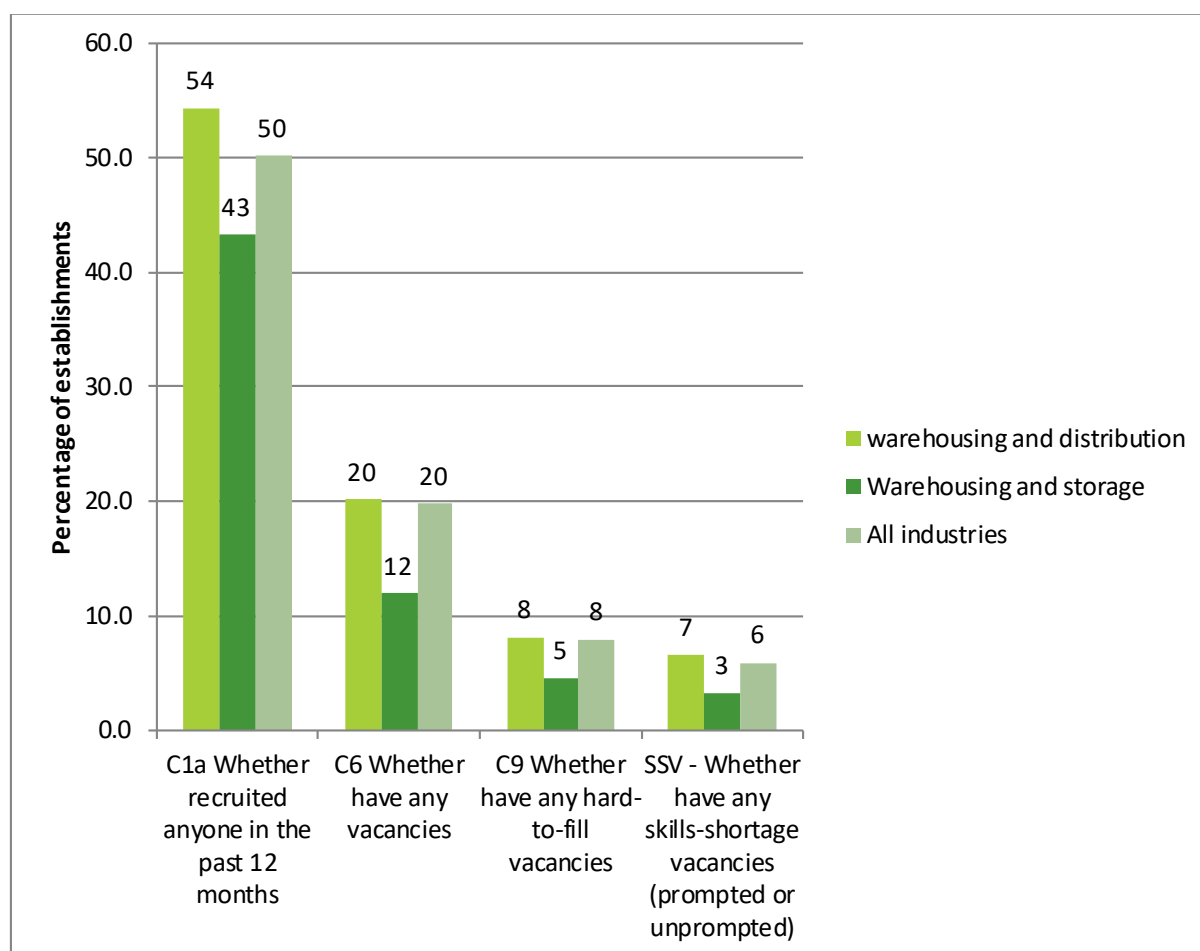
⁵⁷ UNISON (2018) *UNISON guide to bargaining over automation.*

⁵⁸ Anon (2017) 'Health, safety and automation (impact of automation on employees in the workplace)', *Labour Research* 107 (7), 9-11.

Recruitment practices and retention

The sector overall is fairly active in terms of recruitment, with over half of establishments reporting that they had recruited staff during the previous year in 2017. In the Warehousing and storage sector specifically, 43 per cent of establishments said that they had recruited during this period. This was reflected in the percentage of establishments with vacancies, which was 20 per cent for the wider Warehousing and distribution sector, but only 12 per cent for Warehousing and storage. Within this total, 8 per cent of establishments had hard-to-fill vacancies and 7 per cent had skills shortage vacancies (Figure 4.3).

Figure 4.4 : Recruitment in the Warehousing sector, 2017



Source: Employer Skills Survey, 2017

The main causes of hard-to-fill vacancies were 'low number of applicants with the required skills', 'not enough people interested in doing this type of job' (particularly for Warehousing), and 'low number of applicants generally'. Specialist skills or knowledge needed to perform the role (53 per cent) was the most common skill found difficult to obtain (especially in Service activities incidental to land transportation), with the next most common being 'solving complex problems requiring a solution specific to the situation' (28 per cent) (Figure 4.4). For Warehousing and storage, 'computer literacy / basic IT skills' (36 per cent) and 'communicating in a foreign language' (30 per cent) were more commonly mentioned as skills difficult to obtain than for establishments in other parts of the sector.

The most frequent impacts of failure to recruit these skills were increased workload for other staff (74.2 per cent establishments in the sector and 83.7 per cent of Warehousing establishments), difficulty meeting customer service objectives (48.8 per cent for the sector and 65.4 per cent for Warehousing) and difficulties meeting quality standards (57.7 per cent of Warehousing establishments and 31.2 per cent for the sector). The most frequent approaches to recruiting the skills needed were to increase advertising spend (38.7 per cent) and explore new recruitment methods (30.6 per cent).

Employers often use numerous channels for recruitment, including word of mouth, agencies and other paid for recruitment services, their own website and social media. Information on recruitment channels used by the transport and communications sector (which includes warehouses) is available from the 2016 Employer Perspectives Survey.⁵⁹ The most widely used recruitment channels in the sector were:

- *word of mouth* – used by 77 per cent of recruiting employers (2 percentage points higher than across all sectors);
- *paid for recruitment services (including agencies)* – used by 59 per cent of recruiting employers (15 percentage points more than across all sectors) – this is the most distinctive feature of the sector and intelligence from the Gangmasters & Labour Abuse Authority (GLAA) (2018)⁶⁰ suggests that agencies are proactively recruiting workers from Europe (at a cost of up to £500 per worker) – especially from Romania, Latvia, Bulgaria and Hungary;
- *own website* - used by 55 per cent of recruiting employers (2 percentage points higher than across all sectors); and
- *social media* - used by 47 per cent of recruiting employers (1 percentage point higher than across all sectors). The GLAA suggests that around 10 per cent of potential victims of labour abuse found their jobs via social media (predominantly Facebook)⁶¹. Such online recruitment enables potential exploiters to access many potential victims, with the latter initiating contact.

Recruiting employers in the sector were less likely than average to use public employment services. Evidence from the Employer Skills Survey 2017 indicates that reasons for hard-to-fill vacancies in the sector are a lack of applicants (both with the require skills and in general) and a lack of people interested in doing the type of job on offer in Warehousing. Hence, the warehouse sector can be seen as ‘an employer of last resort’ and the UK Warehousing Association has highlighted that younger workers (‘Generation X’) put work-life balance as a top priority and are unwilling to work long hours for low pay.⁶²

As identified in EPS 2016, agencies play a key role in recruitment in the Warehousing sector, particularly in some of the largest warehouses in the UK. An example of this is the Sports Direct warehouse in Shirebrook, where in 2017 there were 200 permanent employees and 3,000 agency workers. In these triangular relationships, there is the agency, the agency worker and the agency’s

⁵⁹ Shury J., Vivian D., Kik G., Skone James A., Tweddle M., Wrathall H. and Morrice N. (2017) *Employer Perspectives Survey 2016 Research Report*, Department for Education.

⁶⁰ GLAA (2018) op cit.

⁶¹ *Recruitment methods are an intelligence gap across all sectors. This figure may be higher when accounting for reports where the recruitment method was not known.*

⁶² UK Warehousing Association (2018) *Labour Intensive: UKWA Logistics Users Group Round Table Report*.

client; although the agencies are responsible for employing the workers, the client exerts a strong influence on them. A recent investigation by the Recruitment and Employment Confederation found that a third of agencies said that they couldn't meet client demands.⁶³

Use of 'neutral vendors' who are responsible for engaging agencies on behalf of employers is becoming increasingly common; this adds another layer to the chain on recruitment. This is due to the increasingly burdensome nature of logistics operations for employers who are struggling to meet demand via just one agency, and therefore are outsourcing this function to another company.

What we've seen over the last decade is the use of third-party logistics companies by retailers [...] so often our members [agencies] will supply to these companies, as well as providing directly to the retailers.

Stakeholder, Warehousing

Non-UK Workers

According to the CBI (2018)⁶⁴ 25 per cent of staff working in warehouses in the UK (113 thousand people) are nationals from elsewhere in the EU.

The Employer Skills Survey 2017 shows that over half of establishments in the sector (51.5 per cent) had tried to recruit non-UK nationals to fill hard-to-fill vacancies, with those in Warehousing and storage (62.5 per cent) most likely to have done so (Figure 4.4). Only 3.5 per cent of establishments in the sector (Figure 4.5) only recruited non-EU nationals, while 55.5 per cent of establishments and 77 per cent of those in Warehousing only recruited only EU nationals.

⁶³ Recruitment and Employment Confederation (2018) *Short-term labour for long-term growth -EU agency workers post-Brexit*.

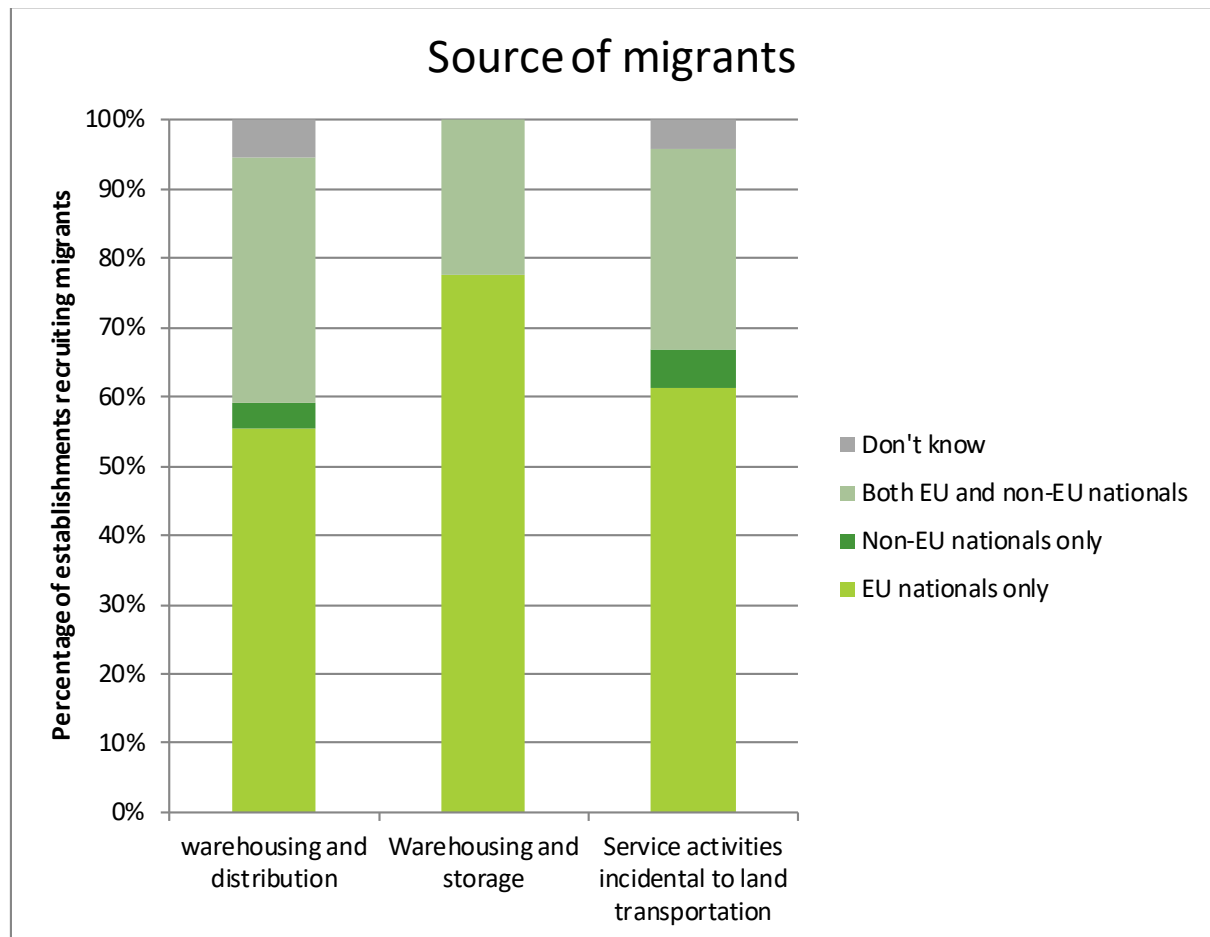
⁶⁴ CBI (2018) *Open and Controlled: A New Approach to Immigration After Brexit*, reporting a Freight Transport Association submission to the Migration Advisory Committee in 2017.

Figure 4.5 : Recruitment of non-UK nationals to fill hard-to-fill vacancies



Source: Employer Skills Survey, 2017

Figure 4.6 : Source of non-UK nationals recruited in order to fill hard-to-fill vacancies



Source: Employer Skills Survey, 2017

The Recruitment and Employment Confederation⁶⁵ has also pointed to non-UK EU nationals being disproportionately more likely to work in Warehousing and support activities for transport, indicating that this group accounted for 18 per cent of workers in this sub-sector. Prior to Brexit it has been possible to fill these jobs with such non-UK workers nationals, often entering jobs in warehouses via agencies and constituting a precarious migrant workforce that is temporary, easily dispensable, and low cost.⁶⁶

Likely changes to the UK immigration system post Brexit has raised concerns in the sector regarding future labour supply. Non-UK workers are particularly vital to meet the numerical flexibility requirements of the industry: results of a survey of agencies providing staff to the Warehousing sector conducted by the Recruitment and Employment Confederation revealed that for six in ten agencies 50 per cent or more of workers for temporary assignments were non-UK EU nationals, while for three in ten agencies the proportion of non-UK EU nationals filling such posts exceeded 75 per cent. This underlines the dependence of the industry on “immigrant workers”.⁶⁷ In the context of a reduction in

⁶⁵ Recruitment and Employment Confederation (2017) *Ready, willing and able?: Can the UK labour force meet demand after Brexit?*

⁶⁶ Sporton D. (2013) ‘They Control My Life’: the Role of Local Recruitment Agencies in East European Migration to the UK’, *Population, Space and Place* 19, 443–458.

⁶⁷ UK Warehousing Association (2018) *Labour Intensive: UKWA Logistics Users Group Round Table Report*.

migration post Brexit an expectation in the industry is that larger warehouses will increase the hourly pay rate to attract candidates, with smaller ones losing out in the competition to gain the labour that they need.

Compliance with labour regulations

Against this background, compliance with labour regulations is variable across the sector. While there are many 'good' employers and agencies, there are also some who pay less attention to employment rights legislation. One sector stakeholder noted that they received a significant number of reports regarding potential exploitation in the Warehousing sector; typically, this amounted to 10 to 15 reports per month which related to issues such as non-payment of the National Minimum Wage. They noted that in some cases the end employer is not aware of this, as it is a result of third parties involved in their employment.

In the Warehousing sector we do get a lot of individuals exploiting people and the companies may not be aware of it, but there's [a] third party who is controlling the individual and taking money from them.

Stakeholder, Warehousing

A key area of non-compliance mentioned by stakeholders was underpayment and not paying the NMW. This was something that happened both intentionally and inadvertently. This was a result of a variety of things, including intentional underpayment by employers, through to confusion or administrative errors when an employee has a birthday and is not moved onto the next pay rate.

We focus on minimum wage and our experience is the vast majority of employers are compliant and they pride themselves on that. When we think about employers who break the rules we break it into two categories really. The deliberate side of things, which is employers deliberately exploiting their staff and then the mistakes.

Stakeholder, Warehousing

[A] key issue [with pay] is around birthdays, so if someone turns 21 or turns 25, and things around apprentice pay.

Stakeholder, Warehousing

One stakeholder also described the spectrum of non-compliance, which ranged from advanced fee fraud (where workers are charged a fee for CV writing or registration for jobs that do not exist), through to those employers that charge workers for uniform and think they can get away with it (who are 'wilfully ignorant'), and finally those employers that genuinely do not realise that what they are doing is wrong and stop once it is pointed out to them.

Drivers of non-compliance

Supply chains

Long supply chains that make it difficult for workers to know who they are engaging with, a result of the increasingly fissured sector structure. One example of this is use of umbrella companies; stakeholders suggested that these drive non-compliance as they make it difficult for workers to raise issues as it is unclear who their main employer is. One of the key issues noted by stakeholders about umbrella companies was that often workers are confused about what they are being paid and may be deceived by high advertised rates of pay which do not include necessary deductions.

They are told they can earn more money working for an umbrella company which isn't always true and is misleading at best, fraudulent at worst. Payslips are very unclear, there are lots of different schemes to manipulate the tax breaks that people get and it is very confusing for people.

Stakeholder, Warehousing

Where there's a lack of clarity it's when workers are engaged through an umbrella company and often wage slips can be very unclear. The advertised rates can be very different to what they take home pay actually is.

Stakeholder, Warehousing

Use of Agencies

While the majority of agencies are reputable, some do not respect all relevant employment rights legislation. There are also concerns more generally that the use of agency workers in the long-term undercuts the wages of long-term staff.⁶⁸ Agency workers can get paid much less than directly employed staff doing the same work due to the 'Swedish derogation' which allows agencies and employers to avoid paying agency workers the 'going rate' for the job,⁶⁹ and there is evidence that this is used as a cost cutting measure.⁷⁰ In the TUC (2018) report on 'Ending the Undercutters' Charter'⁷¹ an example is provided agency staff earning £7.50 an hour (i.e. the prevailing statutory minimum wage) rate for people over aged 25 and over, whereas core staff operatives earned up to £11.86 per hour. In this context agency workers worked more hours and on anti-social shifts to increase their pay levels. However, it should be noted that the Good Work Plan in December 2018 announced the repeal of the Swedish derogation; in the future long-term agency workers will have equal wages with comparable permanent workers.⁷²

The use of agency workers was much greater in the warehousing sector than for the economy as a whole in 2017 (Table 4.5). Women were much more likely than men to be agency workers, in contrast to all industries. The use of agency workers was much more common in class 52.10 than in the sector as a whole (9.5 per cent compared to 5.9 per cent), for both genders. Workers born outside the UK were much more likely than UK-born workers to be agency workers (reflecting all industries), and over two-fifths of those from the EU15 working in warehousing and storage were agency workers. A sixth of workers born in the eastern European accession countries (EU8 and EU2) were agency workers, a much higher percentage than for all industry sectors.

⁶⁸ TUC (2018) *Ending the Undercutters' Charter: Why agency workers deserve better jobs*.

⁶⁹ Under a pay-between-assignment contracting arrangement the so-called Swedish derogation a firm can give an agency worker a lower rate than a comparable employee beyond the 12 week point at which the Agency Worker Regulations 2010 would otherwise kick in (in return for payment if no reasonable assignment is available) (see Judge L. (2018) *The good, the bad and the ugly: The experience of agency workers and the policy response*, Resolution Foundation, London).

⁷⁰ See Forde, C. and Slater, G. (2014). The effects of Agency Workers Regulations on agency and employer practice, ACAS Research Paper, London; Berry-Lound D., Greatbatch D. and Tate S. (2015) 'Qualitative Analysis of the use of Pay Between Assignment contracts for Agency Workers', Final report to BIS by HOST Policy Research; Judge L. and Tomlinson D. (2016) *Secret Agents: agency workers in the new world of work*, Resolution Foundation, London.

⁷¹ TUC (2018) *op cit*.

⁷² HM Government (2018) Good Work Plan, BEIS,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/766167/good-work-plan-command-paper.pdf

Table 4.5 : Agency workers as a percentage of workers in warehousing, 2017

Gender and country of birth	Agency workers as a percentage of all workers			
	52: Warehousing and support activities for transportation	52.1: Warehousing and storage	52.21: Service activities incidental to land transportation	All industries
Male	5.0	8.0	0.4	1.8
Female	8.2	15.3	1.7	1.6
All workers	5.9	9.5	0.7	1.7
UK-born	3.6	6.8	0.3	1.2
Non-UK born	13.2	14.4	5.1	2.3
EU15	17.1	42.2	-	6.5
EU8	14.9	15.9	0.0	9.5
EU2	16.5	14.4	100.0	0.3

Source: Labour Force Survey, January-December 2017

Business pressures

Some stakeholders felt that in smaller organisations sometimes business pressures drive non-compliance; the complexity of managing their costs and a lack of understanding of legislation lead to non-compliance. Typically, in these instances, the non-compliance was felt to be unintentional.

One stakeholder felt that cost pressures and business complexity in particular were driving non-compliance, they felt that there was a lack of understanding of employment legislation amongst some of these businesses.

If it is a legitimate organisation then it's business pressures such as costs and complexity, particularly for smaller organisations, because it isn't easy and they don't understand the legislation well enough. I suspect for the poor operators there is also a driver for profit.

Stakeholder, Warehousing

Lack of awareness

Agency workers' lack of understanding of their legal status may also drive non-compliance by employers. Research undertaken by the Resolution Foundation (2018)⁷³ based on focus groups conducted in late 2017 with agency workers in sectors including Warehousing highlighted that a lack of understanding of their contractual status and the legal position surrounding it. In particular, the focus group research highlighted a lack of awareness about rights to holiday pay, and this position was backed up by analyses of Labour Force Survey data. A similar lack of awareness was apparent regarding pension entitlement.

⁷³ Judge L. (2018) *The good, the bad and the ugly: The experience of agency workers and the policy response*, Resolution Foundation, London.

Lack of unions

Traditionally, the Warehousing sector was highly unionised. However, the shift towards e-commerce and increased use of temporary agency workers has led to lower union membership amongst these workers. It is possible that decreased union membership may be associated with non-compliance given the activities of unions regarding pay and promoting job quality and employment rights.

In terms of the e-commerce sector there's been a growth in union activity but not in union membership. Unions do find it very difficult to organise agency workers, it tends to be more permanent workers.

Stakeholder, Warehousing

Non-UK Workers

One stakeholder noted that non-UK workers are more likely to be at risk of non-compliance, in particular non-UK EU workers. Additionally, low levels of English were a risk factor as it made it more difficult for workers to report non-compliance or exploitation.

In the Warehousing sector reports [of non-compliance] were mainly from EU workers at 85%, British nationals at 8% and non-EU at 7%, so EU workers quite overwhelmingly. We've also had reports that workers that don't speak English are more vulnerable due to their lack of somewhere to report it to.

Stakeholder, Warehousing

Lack of enforcement and compliance activity

One stakeholder felt that there was not enough enforcement activity and that this was driving non-compliance. They felt that the focus on naming and shaming employers had helped to encourage compliance, as had to Modern Slavery Helpline; high profile cases and the increased presence of the GLAA and HMRC also helped. However, they felt that more compliance activity was needed to work alongside this deterrence activity.

Summary

The Warehousing sector is subject to supply chain pressures arising from dominant players (e.g. major retailers) exerting control in a competitive environment. Use of agency workers and zero hours contracts to cope with demands for numerical flexibility can be seen as symptoms of, and/or outcomes from, these pressures. The Warehousing sector has come to be seen as emblematic of precarity.

The sector has suffered adverse media attention relating to stringent performance management and adverse working conditions and low pay – partly as a result of payment for non-working time on site and reductions in pay for lateness. This has led to pay rates below the statutory minimum in some industries. The sector is relatively unattractive to UK workers and so is disproportionately reliant on non-UK EU nationals.

Factors associated with non-compliance with employment rights legislation include: long supply chains that make it difficult for workers to know who they are engaging with; widespread use of agencies, including some who do not respect relevant legislation, and of non-standard contracts; business pressures driven by large retailers forcing down costs; and workers' lack of understanding of their legal status/rights.

5 Worker experiences of employment breaches

This chapter explores findings from the worker interviews and the extent to which they have been affected by the 'fissuring' of employment relationships. Warehouse workers reported a variety of employment rights breaches. There were three key areas where breaches occurred most frequently; breaks, pay and health and safety. The following less common breaches are also discussed; not being provided with a written contract, harassment and not being paid National Minimum Wage/ National Living Wage.

The breaches workers discussed were not always experienced with their current employer - it was common for the breaches to have taken place in previous roles.

Most common breaches

Breaks

Many workers reported not being able or allowed to take their breaks. Junior staff members were most likely to report this, although it was also seen at more senior levels. There were a range of reasons given for not taking breaks. Sometimes breaks were missed entirely, but often they would be postponed until after a task had been completed. Being unable to take breaks was reported by workers at a variety of establishments, from big retail chains to smaller independent organisations.

Most commonly breaks were missed due to periods of high demand. Warehouse picking and packing teams often work to meet targets over a given shift. Many larger warehouses monitor workers productivity very precisely in minutes worked and orders fulfilled. These performance measures and targets may also relate to bonus pay for the workers and supervisors. Junior staff reported that managers or supervisors frequently asked them to miss breaks in order to meet targets. Some of the managers and supervisors we spoke with also discussed how during busy periods they were equally unable to take breaks. In contrast, a few workers suggested that they may elect to skip their breaks on occasion to keep their performance measurements high.

Because it is busy I just accept it though [not taking breaks], I'm happy to be flexible during busy times.

Male, 20, Supervisor

Others reported that they might not be directly asked to miss their breaks but would be pressured to carry on during busy periods. Workers described the way they were pressured into not taking breaks and it commonly occurred through supervisors or managers suggesting that by taking a break they would be putting this burden onto other colleagues and "letting the team down". Most of the managers and supervisors we spoke to generally insisted that people were able to take their breaks and were not forced to work through allotted breaks. However, considering how common this breach was among more junior workers, it may be managers and supervisors are not fully aware of the pressure their staff feel under.

But if one person decides not to, it'll be a thing where I feel peer pressured because everyone else will be telling me [not to take a break].

Male, 21, Picker and Packer

One manager did admit that she does ask workers to sometimes miss their breaks, but along with other managers she reiterated that she would never force someone not to take a break. Missing breaks would be in exchange for leaving early or getting the time back at another point, so she felt this was an acceptable trade off. There were also certain individuals that she would not ask to do this, as she knows they need to take specific breaks, for example, for health reasons.

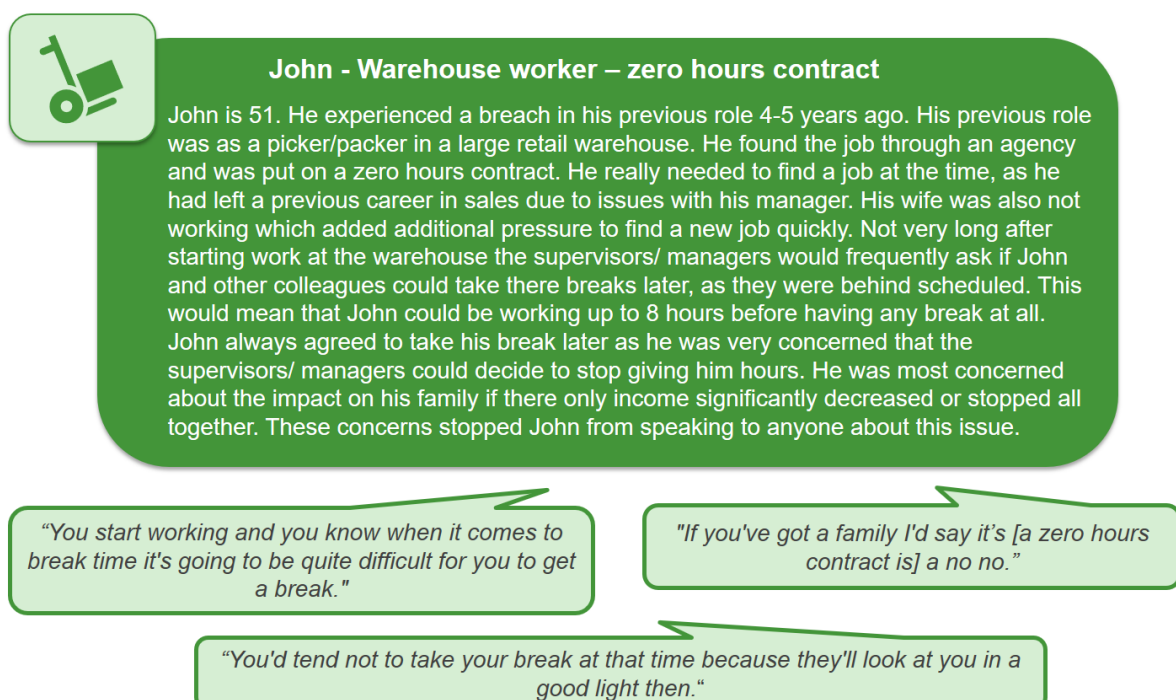
I will say 'Do you mind not taking your 15-minute break now and leave 15 minutes earlier at the end of the shift?'. But we wouldn't say you have to. If someone says no, I really need to, then they go on the break. Like there is one lady who has diabetes who works here who has to go for her breaks at certain times, and I know that.

Female, 56, Warehouse Supervisor

The issue around breaks came across as a more significant for workers on zero hours contracts or individuals working through an agency. This was predominantly due to their position being less certain. These workers raised concerns around the impact of taking breaks if they had been asked not to by a senior member of staff. They noted that this may put them in a bad light and indicate that they were less willing to work than other colleagues, and this negative impression could then lead to their hours being reduced or stopped altogether. In addition, agency workers felt that it was less worthwhile trying to raise this issue, due to the temporary nature of their employment. The lack of a traditional employment relationship therefore appears to impact on workers decision to raise or not raise issues, as the case study in figure 5.1 illustrates.

Another issue that was raised by a few workers was that an element of workers breaks was spent either queuing to use the clocking-off system or getting to the area allocated for breaks, such as a canteen. Considering that many reported only having a 15-minute break in up to 9 hours work, having a third or even two thirds of that time used for clocking off or getting to the break area was frustrating and felt to be unacceptable by workers.

Figure 5.1 : Case Study- unable to take breaks



Pay

Common breaches with pay happened in two ways, either the worker was not paid for all the hours they had worked, or they were not paid on time. The former occurred slightly more frequently than the latter.

Not being paid for hours worked

Many of the workers we spoke to had been paid an incorrect amount on one or more occasion. This problem was reported more frequently by junior staff, especially those on zero hours contracts, part-time contracts, or working for an agency. Issues with incorrect pay were less frequently reported by individuals on longer or more stable contracts, such as full-time workers on permanent contracts. Management level staff were equally less likely to have experienced a breach in relation to pay.

Some of the workers we spoke to had often been paid for the incorrect number of hours, for example, due to the accumulation of small amounts of time not being accurately recorded by other members of staff or by the clocking-in and out systems. As mentioned previously around breaks, accurately recording minutes spent working is important for both pay and performance related bonuses. Mistakes in relation to the number of hours worked were more often reported by those with varying hours each week:

During a busy sale time my manager asked me to come in for an extra day. I clocked in but it didn't register and I told my manager who forgot to enter it manually, due to a busy shift.

Male, 20, Supervisor

This type of mistake was reported frequently, where constantly changing shift patterns lead to mistakes in filling time sheets or missed sign ins. Managers also reported that this was an issue, and that they spent time both reminding workers to sign in and altering time sheets to account for delays or changing schedules.

Some workers discussed how they had chased their employers on a number of occasions to pay for the hours that they had missed. The outcome of this chasing was mixed, in some instances they were paid quickly and efficiently and in other instances workers still had not received the money they were owed. For example, one worker on a zero hours contract reported that he had spent considerable time chasing up his unpaid hours, going first to his supervisor, and then to his area manager. He still hasn't managed to receive the correct pay for the hours he has worked and is reluctant to spend more time chasing it, even though he is frequently paid less than he is owed:

It's a bit too long, you just give up because you can't be bothered.

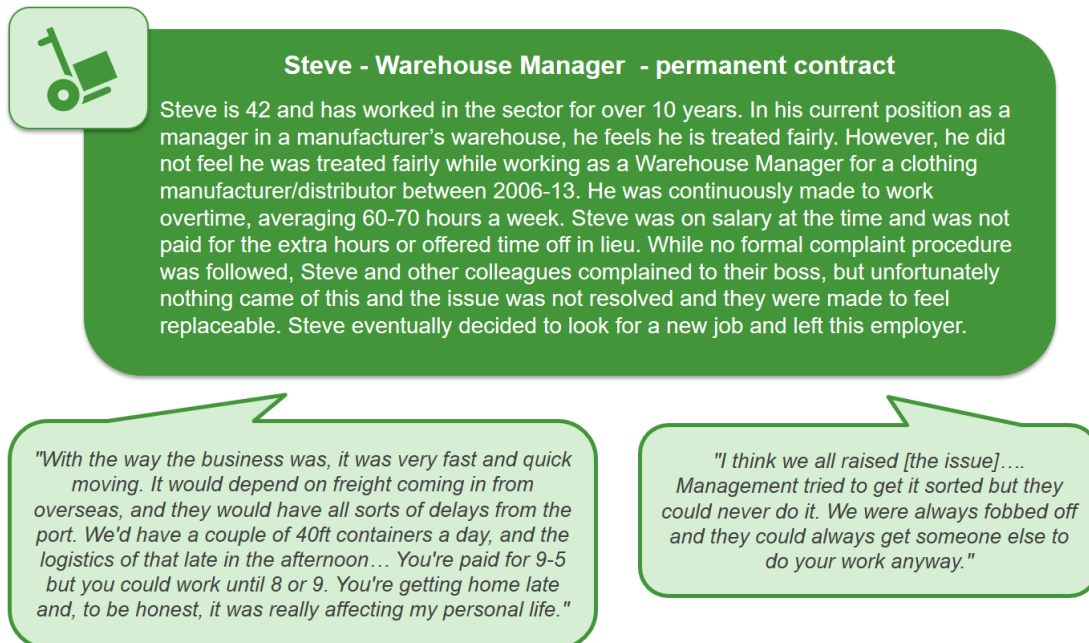
Male, 22, Warehouse Assistant

There were also instances reported of working overtime, beyond contracted hours, without compensation. This happened to those on a range of contract types, from full time to zero hour: one warehouse supervisor reported working over 60 hours a week in a previous salaried role before leaving for another company. We have provided a case study (Figure 5.2) to illustrate this.

I was told to stay and stock take and [they] said I would be paid overtime but didn't receive it. This made me want to leave the company. I only stayed a few more weeks, [it] happened a few more times so that put me off the company.

Female, 24, Warehouse Operative

Figure 5.2 : Case study – unpaid hours



In addition, there were a few workers that were under the impression that they were being paid for certain hours when they were not. In one instance, a picker was working under a false understanding that they would be paid once they clocked in, which was not the case. If the worker arrived earlier than their shift and clocked in they would only be paid from when the shift started, regardless of whether the worker had started working earlier.

When we started to talk and ask about it, they told us it was all being rounded off. Say if I clocked in at 8.20, they disregard that clock in and take it that I was here ready to work at 9, so they start it from 9.

Male, 37, Picker and Packer

For the most part, rather than deliberately withholding pay, workers felt that employers do not take full responsibility for reliably paying the accurate amount for the hours they have worked. The onus is on the workers to chase up any mistakes or shortfalls and many workers resented this extra time and effort.

However, a few workers raised concerns around non-UK citizens not being paid for all the hours they had worked and employers intentionally withholding pay. A few of these workers had witnessed first-hand that non-UK workers were being treated differently to UK workers in previous workplaces. The workers believed that it was common in the industry for non-UK workers to be paid less than UK-workers. We also spoke to one individual who had directly experienced this. One warehouse assistant, who is not a UK citizen, worked without pay for 2 months. They were told that they were in a training period, but they would be provided with a paid contract in the near future. They did

eventually start to pay him in the third month of working for the organisation, however, they did not backdate his pay. The employer reiterated that workers are not paid if they are in training. This lack of payment meant that he financially struggled for the first few months working for the organisation and he had to borrow money off friends to survive.

The response was, you've just started, you're on a training program so we don't pay for training, if you're good we'll keep you on board and then you'll get paid... the first 8-9 months were very difficult... pretty upset to be honest, I mean borrowing money for one thing, I'm not a fan of doing. And then not being able to send money home, which was my main reason for coming here, I couldn't do.

Male, 24, Warehouse Assistant

Not being paid on time

Many workers reported repeatedly not being paid on time. This was also more commonly reported by junior level staff such as pickers and packers. As with not being paid for hours worked, this was generally due to poor administration on behalf of employers or agencies, rather than deliberate malpractice. In one instance, a worker recalled this happening 20 times.

I had given them my bank details, but they had lost them, so they paid me by cheque which took longer to process. Sometimes I get incorrect pay and because it's incorrect, they'll pay you the week after. It happens a lot, I'd say over 20 times.

Male, 21, Picker and Packer

Workers reported having to spend a lot of time emailing and calling to get issues with pay rectified, rarely being able to sort it out as soon as the mistake is identified. As before, it seems that the burden falls on the workers to spend time chasing their pay rather than the responsibility being on employers to get it right the first time. This process can be especially long for agency workers, as they have to speak to several individuals to try and get the issue resolved.

You're not speaking to the person directly in charge of it, you're speaking to someone who is speaking to someone else and someone else and you have to take their word that they'll get on with it

Male, 21, Picker and Packer

Employers sometimes blamed changing accounting systems or differing timesheets. Bank holidays were also mentioned as the cause of delayed pay on a few occasions. Workers report that issues with delayed pay can occasionally cause great personal difficulty, for example one worker was not paid for over 2 weeks just before the Christmas holidays and had experienced this issue multiple times.

When they mess up on the pay it can be catastrophic. It's happened two or three times now and every time it's been 'oh we'll sort it next month'. But I can't survive until next month.

Male, 36, Supervisor and Warehouse Packer

Health and safety

Warehouse workers frequently raised issues when asked about safety at work. These concerns were raised by junior staff and management alike.

One common theme was around lifting heavy loads. Some of the workers we spoke to had suffered back pain or reported feeling that they were asked to manually lift items which were unreasonably heavy. One agency worker cited a lack of appropriate equipment to move heavy items, which led to workers lifting these items themselves.

There's a limited amount of trucks you can use to carry them, so you have to pick them up one by one and stack them on pallets. And it's quite heavy loads. It's very straining because at times you think, it's not worth getting injured to do this job.

Male, 21, Picker and Packer

I actually put my back out once. I wasn't sent home, they just sat me down in a chair and gave me some tablets that one of the guys was taking for his back pain, then carried on that afternoon.

Male, 37, Warehouse Picker

Another agency worker who had worked on and off in the industry for 20 years, felt that good health and safety practices were “filtering in”. However, they also felt that there was an expectation to go “above and beyond”, despite the relatively low pay.

Others reported minor injuries to hands and feet due to not having appropriate safety equipment, such as high-vis jackets, safety boots and gloves. Unstable ladders were also mentioned as a safety issue, with one worker reporting falling off 3 times. Although, workers tended to feel that these were minor incidents and not something they felt was a problem.

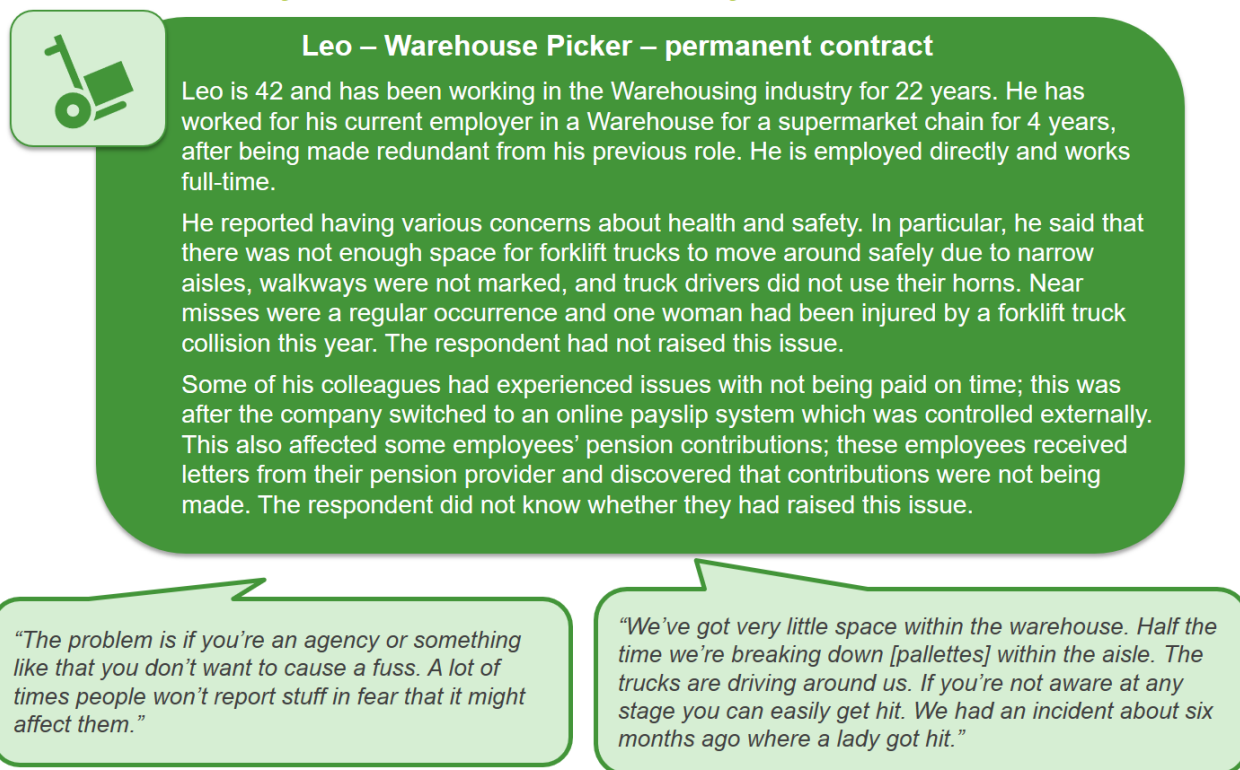
Concerns around the safety of the use of forklift trucks was raised by some workers. One manager reported that they were often driven without a licence and another reported that there wasn't adequate room to manoeuvre the trucks safely within the warehouse which caused frequent near misses of staff working on the ground.

Generally, however, those who had been working in the Warehousing sector for a longer period reported that health and safety had been increasing in importance and improving in the last few years. Workers in larger warehouses and retail chains were more likely to report that Health and Safety was a priority.

We have health and safety meetings every Monday, and somebody from each department goes to the meeting. If there is an issue it will get sorted. We also have people who walk around all day and look at things like how we are packaging things. If anything looks dangerous it gets written down and sorted out.

Female, 56, Warehouse Supervisor

Figure 5.3 : Case Study: Health and Safety



Less common breaches

Issues around written contracts, harassment and not being paid the National Minimum Wage (NMW) / National Living Wage (NLW) did occur within the Warehousing sector, but they were less commonly reported than the breaches previously discussed.

Written contract

Some of the warehouse workers reported never receiving a written contract. This tended to be raised by more junior members of staff. It equally tended to be raised by workers on zero hours contracts or non-UK workers.

I think I'm legally entitled to a contract but because my hours are minimal, I'm not really sure.

Male, 66, Warehouse Picker

There was also a sense from UK workers that this would more commonly occur for non-UK workers. One warehouse picker who had worked for several companies in the past 7 years commented that workers who speak English as a second language were less aware of their rights to a written contract. Another worker noted that at a previous warehouse he was aware of non-UK workers not being given contracts. One of the non-UK workers spoken to described being told repeatedly by the manager that he would be given a contract and then eventually they informed him that he was being paid in cash and therefore a contract was not necessary.

First, I was told I would be on a 40-hour contract...he said he'll (my manager) get the contract written up for me...things changed, they'll need you to do more hours now, which you'll be paid for, which is

for 60, and he'll get the contract written up for me. It went on for about 3/4 months...I kept asking if he had one, he said he's not going to be able to get me one, but it's all cash in hand so it doesn't matter.

Male, 24, Warehouse Assistant

This lack of contract affected workers in a variety of ways, but the key issue they came across was that they were unable to negotiate their hours as they had nothing to refer to. They were unable to prove that they had been promised more or fewer hours.

[The job] ended up being extra hours but I wanted the contracted 18. But when I started the rota said I had 27 hours, but no contract that said this.

Female, 30, Warehouse Picker

However, there were a few workers that did not seem concerned about not having a contract. These individuals tended to be on temporary contracts and in positions that they did not intend to stay in for any length of time. Therefore, this lack of security, was not a concern for them, as they intended to find a new position in the near future.

Harassment

A few warehouse workers reported ongoing bullying from managers, which they felt constituted harassment. In both cases this was related to feeling over-worked and pressured by managers who treated them badly, including verbal abuse and swearing. One was forced to cancel holiday and struggled to spend time with his family. The other had been asked to come to work at unreasonable hours but felt he could not complain as he feared he would lose his job.

If you do make any mistakes, then they tend to get pretty angry.

Male, 24, Warehouse Assistant

For one worker, who has since moved roles, the harassment had a long lasting and detrimental impact on him. He was diagnosed with depression and now has to take medication to manage this.

I did get a lot of health issues, stress related problems, depression due to the role and lack of support, and I'm still on said medication because of it.

Male, 26, Assistant manager

National Minimum Wage (NMW) / National Living Wage (NLW)

Some workers believed that not being paid the NMW / NLW was common in the industry, but they rarely had direct experience of this being the case. A few UK workers had witnessed non-UK workers being paid less than NMW / NLW and in general, workers felt non-UK workers were at most risk of this. In one instance, a worker recalled that all the non-UK workers (in a previous organisation a few years ago) were only being paid around £5 an hour. The workers were unaware that this was below NMW / NLW. He believed that the reason they had not recognised this breach, was in part due to their low levels of English and that the pay was still substantially higher than what they would have been able to achieve in the countries they had migrated from.

6 Awareness of rights and raising issues

This chapter will explore stakeholder and sector worker views. Perceptions of stakeholders will be discussed first and then worker views will be explored. The following will be discussed: awareness of employment rights amongst workers, the extent to which workers felt able to raise breaches of these rights, approaches to raising breaches, awareness of external support agencies and recommendations for awareness raising.

Stakeholder views on workers' awareness of rights

Interviews with key stakeholder provided insight into levels of awareness amongst workers of their employment rights and how issues can be raised if their rights are breached. Most stakeholders felt that workers generally had low levels of awareness of both employment rights and redress routes. They noted that there were some groups in particular that were the most at risk, as they were more likely to lack knowledge of their rights or the processes that they could go through to seek redress.

However, it is important to note that stakeholders are likely to be acutely aware of cases where workers have experienced employment rights abuses and therefore their knowledge of such breaches may relate to a particular subset of sector employers who display particular indifference for employment legislation.

National Minimum Wage (NMW) / National Living Wage (NLW)

Stakeholders considered awareness of the NMW / NLW to be relatively high amongst workers and much higher than most other employment rights. One stakeholder with specific expertise within the Warehousing sector found this high level of awareness to be consistent with this issue being the most reported breach.

National Minimum Wage has higher awareness than other areas.

Stakeholder, Warehousing Sector

However, that is not to say that awareness was high amongst all workers, in the view of stakeholders there were two groups in particular that tended to have lower levels of awareness:

- Non-UK workers, particularly those with little or no English language skills.
- Younger workers, generally below the age of 25 years.

Stakeholders suggested that non-UK workers with low levels of English tended to be less likely to know their rights as they struggled to understand UK employment practices and their rights, as most of the information being provided to them or that was available was in English.

In the case of younger workers, stakeholders felt they tended to lack knowledge in this area as they had not prior work experience to refer to, they had not worked before and therefore were unaware of what their rights in the workplace would be. Additionally, this newness to the workplace and lack of knowledge meant that they were less likely to challenge their employers, as they were unsure of whether a breach had taken place. This lack of awareness increased the groups' vulnerability to having their rights breached, as employers had less risk of being reported for non-compliance.

It is difficult to quantify but we do get a high level of non-English speaking workers who may not be aware of their rights.

Stakeholder, Cross-Sector

Benefit deductions

Stakeholders commonly struggled to comment on worker awareness of benefit deductions. This was predominantly due to the fact that this was not an area of expertise for many of the stakeholders and therefore they felt they could not accurately comment on worker awareness in this area.

This isn't something we would specifically ask or be reported to us.

Stakeholder, Cross-Sector

However, one stakeholder did note that workers were not always clear on how salary sacrifice schemes worked as they were incredibly complex in some instances. The stakeholder equally discussed how employers struggle to calculate these sacrifices accurately and therefore this is something that workers could get 'caught out' on.

Things that we come across is around salary sacrifices for childcare vouchers or a travel to work scheme things like that employers would argue that things like that are in the workers benefit... I talk to the real techy people within payroll side of things and even they struggle with some of these issues, because there are some odd technicalities around workers status and sacrifices...think a lot of workers aren't aware of those things and therefore do get caught out.

Stakeholder, Cross-Sector

Employment conditions

Stakeholders believed worker awareness around employment conditions, such as sick pay, holiday pay, paid overtime or breaks, was limited. One stakeholder reported that while they had received many reports of infringements within these areas, they expected that the actual number of breaches was likely to be higher than, as they acknowledge that awareness amongst workers was varied and some had little to no knowledge of these employment rights.

We do get workers reporting all of these infringements. It may be because they've spoken to other workers who are aware of their rights. There is some awareness of it but definitely not among everyone.

Stakeholder, Cross-Sector

Similarly, to the NMW / NLW, younger workers and migrant workers were generally believed to be less aware of these rights. In addition, those on part-time, temporary, or zero-hour contracts were equally noted as being less clear on their entitlements. A stakeholder observed that workers on such contracts were commonly unaware of their immediate rights or the rights that they will be accrued over time. For example, in terms of immediate rights, they are not always clear that they have the right to turn down shifts with no repercussions.

They don't have a good understanding. Especially those on the flexible contracts. Workers don't tend to have an idea of their rights around turning shifts down as no one really explains it and particularly the rights that accrue over time. Met a group of workers recently who seemed to be unaware that maternity pay was a day one statutory right.

Stakeholder, Cross-Sector

Holiday pay

Holiday pay was regarded to be a commonly misunderstood employment right. Workers, particularly those who were not full-time or permanent, were observed by stakeholders to be either unaware of this entitlement or unsure of how they could calculate it. One stakeholder noted that the organisation they work for had received a high number of complaints about holiday pay, but they did not believe that this necessarily meant that awareness was high.

We get lots of complaints about holiday pay, don't think awareness is that high.

Stakeholder, Warehousing Sector

Another stakeholder felt that some of the issues around holiday pay can be attributed to issues within the legislation. They noted that the legislation does not always take account of temporary workers and their circumstances and this therefore leads to confusion around their rights for employers and workers.

When legislation is drafted it often doesn't account for temporary workers and that can cause more confusion. [...] Greater government guidance particularly around holiday pay would be very helpful.

Stakeholder, Warehousing Sector

Breaks

Awareness of entitlements around breaks was not something that many of the stakeholders felt they could comment on, but one stakeholder felt that workers were generally aware of their entitlements to a break. They felt that workers who were not full-time would generally be afforded a break if full-time workers were.

Haven't had complaints about paid breaks but most people know what they're entitled to. People would follow the crowd so if all full-time employees had a break then they would be having a break.

Stakeholder, Warehousing Sector

Employment agencies

Employee awareness of employment rights with regards to employment agencies, such as upfront fees, fees for umbrella companies, were regarded by a couple stakeholders to be limited.

Think awareness of this is pretty poor. We get a lot of reports and questions and queries about this – that shows people don't understand it very well.

Stakeholder, Warehousing Sector

They also believed that workers who were employed by agencies or umbrella companies would find it more difficult to understand the amount they were being paid and whether this covered the hours they had worked. They believed this was predominant due to the lack of clarity in the payslip they would receive, as the rate advertised could be much higher than the rate they receive once deductions have been taken.

Where there's lack of clarity it's when workers are engaged through an umbrella company and often wage slips can be very unclear. The advertised rate can be very different from what the take home pay actually is.

Stakeholder, Cross-Sector

Avenues for raising issues

Despite a limited awareness of workers' rights across the sector, even workers with some awareness were perceived by stakeholders to lack awareness of how they could raise issues.

Awareness of employment rights is probably higher than we think it is, but it is the ability to access advice and do something about it.

Stakeholder, Warehousing Sector

One stakeholder observed, however, that workers that were employed via agencies were often deterred from raising issues as they had concerns that they would lose out on shifts.

It is difficult for people to put in a complaint as the employment agency won't give them any work.

Stakeholder, Warehousing Sector

For workers that did know of avenues they could take, stakeholders expected them to go to their agency (if employed by one) or a relevant union. Several stakeholders mentioned that Citizens Advice and the Advisory, Conciliation and Arbitration Service (Acas) and looking on GOV.UK were likely avenues that workers could take. However, one stakeholder suggested a lot of workers weren't aware of Acas and that the Acas website was not necessarily the most user friendly, as their contact details were not listed clearly on the front page of the website.

If there is a union they can talk to a union or they phone Acas, but they need to be aware of Acas and suspect a lot of people aren't... Acas don't even put their phone number on the front of the web page.

Stakeholder, Cross-Sector

Worker awareness of rights (worker interviews)

In contrast to stakeholders, there was a general sense amongst workers that they were being treated fairly by their current employer. However, in one case a worker had observed that while they were treated fairly in general, much of being treated well at their workplace was dependent on position and tenure in the warehouse.

I think very fairly. I think the managers above myself are very respectful.

Male, 51, Team Manager

Generally, yeah, I do [feel treated fairly]. It depends on your position in the warehouse and how long you've been there. There are people who have certain priority because they've been there longer.

Male, 25, Picker and Packer

Additionally, most workers felt reasonably confident that they knew their employment rights. However, when the interviews progressed, and breaches were discussed it seemed that this confidence was not matched by accurate knowledge of their employment rights. Most of the workers also expressed that they would go online for information, if they were unsure of whether they had experienced a breach or not. They felt confident that they would be able to find the information they need online. However, it seemed this search for information would not be targeted at specific sites which they were aware had information on employment rights. They tended to indicate that they would go straight to a search engine, which again seems to show this sense of confidence, which is not supported by knowledge of where they could source accurate information.

Others did however recognise this more immediately, feeling less confident about their rights and stating that they had little, if any, knowledge of their employment rights.

A few workers noted that they felt reasonably well informed of their rights at this time, but they expected that there may be future instances where the question of whether their rights had been breached or not would need to be explored further.

Quite fairly, there could always be that little thing that you don't know, until something happens to you that you have to investigate. But I feel quite well informed.

Female, 27, Picker and Packer

National Minimum Wage (NMW) / National Living Wage (NLW)

Most workers had heard of the NMW, although, they did not always know the exact figure for the NMW. Even if they did not know the figure for the NMW they tended to assume that they were paid at or above this level. The term NLW was less well known and most workers assumed this was referring to the Living Wage by The Living Wage Foundation. They were not aware that the NMW now referred to individuals under the age of 25 and the NLW was for all workers over the age of 25.

Breaks

Contrary to one stakeholder's perception that worker's awareness of break entitlements was less of a concern, some workers were uncertain of the frequency of which they were entitled to breaks. A few assumed that it was acceptable to forego breaks during busier periods and if they had finished tasks they had been assigned. In one case, the employer often allowed the worker to depart from their shift early to make up for unused breaks, which the worker felt was an acceptable compromise. The worker was unaware that this was still a breach of their employment rights.

Holiday Pay

Awareness of worker entitlement to holiday pay was mixed. Most full-time workers with permanent contracts with regular hours, seemed quite clear on their entitlements and that they received holiday pay. However, workers on part-time, temporary or zero-hour contracts commonly seemed less clear on their entitlement, they were either unsure if they had received or were entitled to holiday pay. In one case, a worker on a zero-hour contract assumed she received holiday pay, but she had not checked if this was the case. This job only contributed to a small amount of her income, so she seemed less concerned about her entitlements. Another worker seemed quite unsure of whether she did or did not receive holiday pay, she only recalled receiving holiday pay in a previous profession.

I don't even check it. Because it's such a small amount when it comes in, I don't even bother.

Female, 27, Picker and Packer

I don't know about holiday pay, but I just say when I can't work, but no paid holiday and no sick pay... When I worked on a permanent contract with care work, I did get holiday [pay].

Female, 30, Picker

Worker approaches to raising issues

Workers discussed how they had gone or would go about raising issues around their employment rights. Where issues had been raised, this was initially raised internally with a supervisor or manager. In some instances, workers had turned to friends and family for advice and guidance.

Workers generally felt they would take the same approach to raising an issue in the future. For those workers that would raise an issue internally with a supervisor, manager or line manager, generally expected they would do so verbally in the first instance. A few workers suggested that they would turn to their union or Citizens Advice (CA). However, most workers mentioned that they would only do this after having first attempted to resolve the issue internally with their employer.

However, it is interesting to note that none of the workers spoken to had consulted with an external agency after experiencing a breach of their employment rights. For workers who had experienced issues, but not sought advice or raised the issue, they tended to have not acted on these breaches for two key reasons.

The first reason was workers were not clear on who they could speak to for advice or to raise the issue. These workers were more likely to have either not spoken to anyone about the issue experienced or had turned to friends and family for advice and/or support. Workers not raising issues or speaking to friends and family tended to be younger or migrant workers or agency workers. Younger individuals or migrant workers took this approach as they lacked work experience or a frame of reference on what they could or should do to raise an issue.

Spoke to friends, we didn't know the process. Just agreed bad company to work for.

Female, 24, Warehouse Operative

For some agency workers the fissuring of the workplace had exacerbated this issue, they seemed to be less sure about whether they should speak to their employer or agency about the issue experienced.

The second reason that was raised by workers was that reporting could result in negative impacts. Workers who felt hesitant that raising the issue at work could result in retributive actions from their employer mentioned concerns over hours being cut, losing their job, or just generally damaging the relationship with colleagues. This reason was commonly raised by agency workers and those on zero-hour or temporary contracts, as they had a more precarious position in the workplace. Additionally, those with caring responsibilities, such as dependent children, were less likely to consider 'rocking the boat', as they might put their family's financial position at risk.

The problem is if you're an agency [worker]... you don't want to cause a fuss. A lot of times people won't report stuff in fear that it will affect them.

Male, 42, Picker

Unsurprisingly, workers who were on full-time, permanent contracts tended to feel more confident about raising issues with their employer, as they did not feel the same level of risk to their job as the temporary, zero hours or agency workers. These workers also tended to be more experienced members of staff, which further contributed to their confidence and certainty that raising an issue would be accepted by their employer and was unlikely to lead to negative consequences.

In the environment where I work, it's more of an open environment where I can voice my opinion which I think is very, very good.

Male, 51, Team Manager


Where workers had not raised any issues previously, common issues that they felt they would raise in the future ranged from discrepancies around pay, such as not being paid on time or correctly, bullying or harassment, and general safety, etc.

If I think it's a serious health risk to myself and others, then I would say something. I'd speak to HR or the most senior person I could speak to.

Male, 37, Picker and Packer

While many workers had limited awareness surrounding their rights as employees, one worker, a Warehousing Supervisor, provided a description of her workplace that stands as an example of best practice in terms of ensuring employees are afforded the hours, correct and punctual pay, and breaks that they are entitled to. Furthermore, systematic efforts in this particular workplace were made to ensure that issues around health and safety were raised and resolved.

Figure 6-1: Case Study - Best Practice



Sofia – Warehousing Supervisor– permanent contract, 35+ hours

Sofia is 56 years old and has worked in the sector for 9 years with the same employer. She is a German citizen working in the UK for a warehouse which is part of a large retail chain. She works 40 hours per week and is paid fortnightly. If she works overtime she is always paid for it, and she received 1.5 x pay when she works on Sundays. All staff have a 30-minute break and two 15-minute breaks within each five hour shift; occasionally during busy periods staff will forgo one of their 15 minute breaks and finish 15 minutes early. All staff receive numerous benefits, including vouchers, dental care and life insurance. Sofia also receives an annual bonus.

The company Sofia works for does not employ anybody on a zero hours contract; all workers are either on permanent or temporary full-time or part-time contracts. They hire temporary staff over the busy Christmas period, but keep some of them on afterwards if they perform particularly well.

They have safety meetings once per week when any concerns are raised and subsequently sorted quickly. Additionally, they have staff members walking around to check that nothing potentially dangerous is happening.

"They are very good with your hours. For instance, I have set hours because I have a grandson now. When I told them that I needed to change my dates, they were absolutely fine with that, no one gave me a hard time. They are very flexible that way."

"We have health and safety meetings every Monday, and somebody from each department goes to the meeting. If there is an issue it will get sorted. We also have people who walk around all day and look at things like how we are packaging things. If anything looks dangerous it gets written down and sorted."

Awareness of external agencies

Awareness of external agencies that provide advice and assistance to workers on breaches of their employment rights was generally low. During the qualitative discussions workers were prompted with a list of external agencies that they could turn to for support or advice. Citizens Advice (CA), Unite the Union, and the Advisory, Conciliation and Arbitration Service (ACAS) were the most commonly recognised. HMRC was also frequently recognised, but within the context of tax issues rather than the NMW team. Workers had some, albeit limited, awareness of the Modern Slavery Helpline, Union of Shop, Distributive and Allied Workers (USDAW), Gangmasters and Labour Abuse Authority (GLAA) and Employment Agency Standards Inspectorate (EASI).

Workers who had considered speaking with external agencies felt that they would only do so if the issue was more serious, such as harassment. Equally, they would only take this approach after exploring all internal avenues to resolve the issue.

[It] depends on the severity, if it was harassment and management didn't take the action I require, I might contact the police or someone else.

Male, 21, Picker and Packer

However, there was an instance of a worker suggesting that they would go externally for any breach of contract. They were most likely to turn to Citizens Advice (CA) if a breach occurred.

If it was affecting my ability to work, then I would definitely take that up. If it was about how the manager was treating me, I would go straight to Citizens Advice, or for any breach of contract like that.

Male, 25, Warehouse Operative

A few workers that were members of unions tended to be more aware and comfortable with the idea of seeking advice externally. Again, they suggested that they would seek advice internally first, but if this was not successful they would speak to their union about next steps.

I would raise it with the line manager, first of all. If I wasn't getting anywhere with that I'd take it to the union.

Male, 42, Picker

Stakeholder recommendations for awareness raising

Stakeholders agreed that more could be done to raise workers' awareness of their rights and potential complaint and redress routes. This was deemed to be particularly crucial for vulnerable groups of workers, including younger workers, migrant workers, and non-permanent / non-full-time workers. Suggested avenues for awareness raising included: working with community groups, employing multiple methods of communication, greater and more targeted government guidance, and more responsibility placed on employers and employment agencies.

Working with community groups

Engaging with community groups, particularly those who do not speak English as a first language, would help inform communications on employment rights that can be disseminated in different languages. This would help to increase awareness amongst some of the most vulnerable workers in the industry.

Greater efforts are needed to make pay rights clear to those with poorer English.

Stakeholder, Cross-Sector

Utilising different methods of communication

Stakeholders suggested distributing information on employment rights in a variety of ways would help to engage groups that are most at risk of employment rights breaches. One stakeholder suggested that minority communities may be better reached with leaflets that can be disseminated in their language, as this was successful when they were trying to raise awareness of the organisation they work for. Another stakeholder surmised that workers may be more effectively reached by targeted social media advertising or apps and that you could even produce the information in the app in a range of languages.

Put it all in one place. Maybe even create some kind of app, put things in different languages to reach different groups.

Stakeholder, Cross-Sector

There's no end of avenues but most people don't know we exist.... We've done this by going out a lot more and being proactive, we've got some good press by dealing with people like [redacted for anonymity] and we've ridden a wave of people caring about labour market exploitation, we've handed out leaflets where we go and visit places and have materials translated into Bulgarian and Romanian.

Stakeholder, Warehousing Sector

Government guidance & strategy

The government could improve its enforcement strategy via targeted promotion of employment rights awareness, utilising methods listed above. Additionally, better (sector-specific) guidance should be provided to employers that is tailored to specific types of workers, e.g. temporary workers, and agency workers to help avoid likely breaches, such as NMW.

I think at the heart of any enforcement strategy is promotion. Promoting awareness and where to seek support. Then there's having a better information feed - a better intelligence function that leads to more effective investigations.

Stakeholder, Cross-Sector

I think this is an area where there could be more work. We've done our bit with the agency worker rights factsheet. But this is somewhere where the government could play a role in really highlighting the rights agency workers are entitled to.

Stakeholder, Cross-Sector

In addition, a few stakeholders believed that information in general should be improved for agency workers, as it was felt that current information is not sufficient for agency workers to understand and be clear on their employment rights.

If I was an agency worker and I was looking on the government website for my rights... I don't think there's sufficient provision there.

Stakeholder, Cross-Sector

Employers & Employment agencies

Greater responsibility should be placed on employers and employment agencies to ensure that employees know their rights and where and how to report breaches.

The market should also be driving intelligence and the responsibility should be on them [the employer] to know about their supply chain.

Stakeholder, Warehousing Sector

One stakeholder suggested providing written statements on notice boards for all staff, to help with transparency. This was particularly relevant for employment agencies, where the fissuring of the workplace has led to a diffusion of responsibility for agencies and direct employers, which has added an additional layer of confusion for workers and who they should turn to, to discuss issues or report breaches.

7 Conclusions

The UK labour market has experienced profound changes in the last four decades, including a decline in trade union membership and labour's share of national income. Employment relationships have also changed markedly: employers have contracted out, franchised, subcontracted and devolved many functions that were once done in-house, with lower labour margins, reduced wages, and many workers losing the benefits of traditional employment relationships including career paths, safe working environments, and sick pay.

This research explored how the Warehousing sector has been affected by this 'fissuring' of the employment relationship between employers and workers over the last 10 years, and the impact this has had on employment structures and workers' rights.

Key Findings

The Warehousing and storage sector in the UK is responding to changing consumer and business requirements. Recent growth in the sector has been fuelled by changes in demographics and consumer habits and a rise in online shopping. Many sectors across the economy rely on Warehousing (and associated delivery services) for their smooth operation. Just-in-time delivery requirements places huge demands on the sector and this in turn has implications for the number of workers required at different times of the year and for the intensity of work in the sector.

The sector is undergoing significant change with the introduction of lean logistics and new IT, distribution technologies and labour management systems. Major retailers exercise control in a competitive environment, and increasingly complex chains of command mean that can workers be more vulnerable to exploitation. The sector has a number of image problems, exacerbated by recent media coverage of employment rights breaches in warehouses supplying major retailers.

Employers often use numerous channels for recruitment, including word of mouth, agencies and other paid for recruitment services, their own website and social media. The use of agencies and umbrella companies is common across the sector, as is recruitment and employment of non-UK EU nationals.

Drivers of non-compliance

Several key drivers of non-compliance with employment rights legislation arose through the literature review, secondary data analysis and qualitative interviews with stakeholder and workers. These were: long supply chains that make it difficult for workers to know who they are engaging with; widespread use of agencies, including some do not respect relevant legislation, and of non-standard contracts; business pressures driven by large retailers forcing down costs; and workers' lack of understanding of their legal status/rights. However, it is important to note that the majority of the study was qualitative research, and therefore findings should not necessarily be interpreted as being representative of all workers in the Warehousing industry. This qualitative study helps to gather insight into stakeholder views and workers experiences.

Stakeholders also pointed out that widespread use of employment agencies and umbrella companies can also mean it is sometimes difficult for workers to know where to raise issues in the first instance.

Stakeholders and representative bodies identified relatively high levels of non-compliance with employment legislation. They tended to be particularly aware of the most severe instances of non-compliance, and of cases where employment rights were deliberately breached. The workers

interviewed were less likely to report the most serious breaches (such as forced labour), but commonly experienced low-level breaches (which could have very significant impacts on individuals).

Warehousing workers reported a variety of employment rights breaches, most commonly around breaks, not being paid on time, not being paid for hours worked and health and safety. Breaches around not having a written contract and (verbal) harassment were less commonly reported. Being paid below NMW / NLW was not experienced by any of the workers that we spoke to, but some workers did believe that this frequently occurred in the industry, with migrant workers most at risk.

While not all breaches were attributable to fissured employment relationships or workplaces, there was evidence to suggest that agency workers were commonly experiencing issues around not being paid on time, not being paid for all hours worked and being unable to take breaks. In addition, the fissured nature of their employment meant that when they tried to rectify issues, they were not always able to do so. Agency workers were either unsure of who to speak to or the process was so convoluted that they kept being passed to a new person to discuss the issue. This was particularly true of issues around pay.

Awareness of rights and raising issues

Stakeholders felt that workers generally had limited awareness of both employment rights and routes for raising breaches. They felt that workers had the highest level of awareness of National Minimum Wage / National Living Wage entitlement. Awareness of rights around employment conditions such as holiday pay, sick pay, paid overtime, or breaks, was felt to be more limited. Generally, stakeholders believed that workers lacked awareness of the support agencies that could provide guidance or assistance to help resolve breaches.

In contrast workers generally felt that they were reasonably aware of their rights in the workplace. However, when prompted on a variety of possible breaches, workers did not seem to have a high level of knowledge of their rights which would support this confidence. Workers suggested that they would go online for information, if they were unsure of whether they had experienced a breach of their employment rights. Generally, they felt confident that they would be able to find the information they needed. However, workers tended to indicate that they would go straight to a search engine, rather than a specific site which they knew held information on employment rights. Again, this seems to demonstrate this sense of confidence, that they will be able to isolate the information that is and is not accurate, when they do not appear to have the knowledge to support this.

When workers had experienced breaches, they tended to raise these internally with their employer. They tended to speak to managers or supervisors in the first instance. None of the warehouse workers interviewed had turned to external agencies for assistance. However, workers in less secure positions such as those without a written contract or on a zero-hours contract were less likely to raise issues with their employer as they were concerned the consequences. Key concerns were around losing hours or even the job altogether. Migrant workers and younger worker were also less likely to raise issues with their employer, although, this appeared to be due to these workers being less aware of the breaches or what they could do if they experienced one. This was largely due to the fact that they lacked awareness of the agencies that they could turn to for support or guidance (although workers recognised the names of Citizens Advice (CA), Unite the Union, and the Advisory, Conciliation and Arbitration Service (ACAS)).

Overall, sector workers tended to accept (minor) employment rights breaches as inherent to employment in the industry. Stakeholders agreed that more could be done to improve workers'

awareness of their rights and support agencies. Stakeholders suggested the following as ways to increase awareness: working with community groups; use a broader range of communication approaches; improvement of government guidance; and further direct communications from employers and agencies to their employees.

Appendix A: Interviewees

Table A1: Who we spoke to during the qualitative research with workers

Criteria	Description	Completed
Primary Criteria		
Type of role in Warehousing sector	Order Packer	1
	Order Picker	4
	Picker/Packer	7
	General assistants/workers/operatives	12
	Warehouse Manager/Team	8
UK vs Non-UK workers	UK citizens	28
	Non-UK citizens	4
Employment type	Employed (permanent contract)	19
	Employed (temporary contract) - inc agency workers'	4
	Zero hours contract - inc agency workers	9
Raised an issue with employer, advice agency, community group or enforcement body (e.g Citizens Advice, Unite etc) about working conditions	Yes, issue raised	13
Type of employer	Retail chain	13
	Independent/family owned firm	5
	Food storage and distribution	4
	Online retail	6
	Other	4
Secondary Criteria		
Average hours worked per week	Fewer than 16	5
	Between 17 and 34 hours	11
	35 hours or more	16
Age	16-24	7
	25-34	9
	35-44	9
	45-54	4
	55+	3
Gender	Female	10
	Male	22

Appendix B: Data tables

Table B1: Ten largest occupations within each sub-sector, 2017

52: Warehousing and support activities for transportation	Percentage of employment	52.1: Warehousing and storage	Percentage of employment	All industries	Percentage of employment
Elementary storage occupations	23.1	Elementary storage occupations	44.8	Sales and retail assistants	3.5
Large goods vehicle drivers	5.6	Large goods vehicle drivers	7.4	Other administrative occupations n.e.c.	2.5
Fork-lift truck drivers	3.4	Fork-lift truck drivers	7.0	Care workers and home carers	2.5
Air transport operatives	3.4	Packers, bottlers, canners and fillers	5.2	Nurses	2.1
Security guards and related occupations	3.0	mngrs and directors in storage and Warehousing	5.1	Cleaners and domestics	1.8
mngrs and directors in transport and distribution	3.0	Stock control clerks and assistants	3.3	Kitchen and catering assistants	1.7
Air travel assistants	2.9	Other administrative occupations n.e.c.	3.0	Sales accounts and business development managers	1.5
mngrs and directors in storage and Warehousing	2.9	Van drivers	2.4	Elementary storage occupations	1.4
Transport and distribution clerks and assistants	2.7	Book-keepers, payroll mngrs and wages clerks	1.0	Primary and nursery education teaching professionals	1.4
Other administrative occupations n.e.c.	2.7	mngrs and directors in transport and distribution	1.0	Secondary education teaching professionals	1.3
Total employment	747814	Total employment	170320	Total employment	30794449

Source: Labour Force Survey, January to December 2017.

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